United Nations A/57/707

General Assembly

Distr.: General
16 January 2003

Original: English

Fifty-seventh session
Agenda items 111 and 119

Review of the efficiency of the administrative and financial functioning of the United Nations

Joint Inspection Unit

Report of the Joint Inspection Unit on United Nations system revenue-producing activities

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly the report of the Joint Inspection Unit entitled "United Nations system revenue-producing activities" (JIU/REP/2002/6).

03-21349 (E) 210103

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JIU/REP/2002/6
ORIGINAL: ENGLISH

UNITED NATIONS SYSTEM REVENUE-PRODUCING ACTIVITIES

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United Nations, Geneva
August 2002

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ACRONYMS AND ABBREVIATIONS

ACABQ	Advisory Committee on Administrative and Budgetary Questions
CAS	Commercial Activities Service
CEB	United Nations System Chief Executives Board for Coordination (formerly: Administrative Committee on Coordination (ACC))
COMFAR	Computer Model for Feasibility Analysis and Reporting (UNIDO)
DESA	Department of Economic and Social Affairs
DM	Department of Management (United Nations)
DPI	Department of Public Information
DSAR	Daily Subsistence Allowance Rates
FAO	Food and Agriculture Organization of the United Nations
GCS	Global Consulting Service (UNDP)
IAEA	International Atomic Energy Agency
IAMLADP	Inter-Agency Meeting on Language Arrangements, Documentation and Publications
ICAO	International Civil Aviation Organization
ILO	International Labour Organization
IMO	International Maritime Organization
ITU	International Telecommunication Union
JIU	Joint Inspection Unit
OCSS	Office of Central Support Services
ODS	Official Documents System (formerly United Nations Optical Disk System)
OIOS	Office of Internal Oversight Services of the United Nations Secretariat
PCT	Patent Cooperation Treaty
PSD	Private Sector Division (UNICEF)
R & D	Research and Development
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNIC	United Nations Information Centre
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNOPS	United Nations Office for Project Services
UNPA	United Nations Postal Administration
UPU	Universal Postal Union
WFP	World Food Programme
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization

EXECUTIVE SUMMARY: OBJECTIVE, CONCLUSIONS AND RECOMMENDATIONS

OBJECTIVE:

To review United Nations system policies and practices relating to revenue-producing activities with a view to establishing a coherent policy framework for these activities and improving their management efficiency and effectiveness.

The activities reviewed in this report serve specific purposes mandated by the organizations and in most cases, promote their public image. The activities additionally have income generation as an integral or secondary objective, depending on their purpose and nature. The Inspector finds that enhancing the managerial performance of these activities is the indispensable condition for achieving their primary purposes and for improving their revenue-producing capacity as well as profitability. The interrelated nature of these (primary and secondary) objectives is not yet evenly recognized by the organizations in the absence of a shared concept of revenue-producing activities. The introductory chapter therefore attempts to fill this gap.

The organizations' constitutions or financial regulations and rules, reviewed in chapter I, include provisions for income-generating activities even if they are not specifically identified as such in all cases. Notwithstanding differences in the formulation of those provisions, the Inspector has identified enabling instruments in most of the organizations for the activities covered in this report. However, the nature and range of the activities as well as their actual implementation and financial results vary from one organization to another due to constitutional differences, to the variegated policy setting for the activities, and to their inadequate recognition in some organizations as potential sources of revenue. The report therefore proposes a uniform set of policy objectives outlined in chapter I.

The United Nations currently has the broadest mix of revenue-producing activities within the United Nations system. Their financial value represented just 10 per cent of all the organizations' gross proceeds from the activities in the 1998-1999 biennium. The United Nations at present faces the challenge of operating the activities concerned as business entities in its normative and regulatory environment which is not designed for business operations. Accordingly, the Inspector sets forth in chapter II a number of measures aimed at assisting the Secretary-General in implementing his new management proposals, endorsed by the General Assembly in resolution 56/238 of 24 December 2001, to separate the activities concerned from the core management structure of the Secretariat.

In terms of coverage, all the organizations generate revenue, however small, from one activity or another. However, except for the United Nations, only a very limited set of activities, usually mostly sales publications, exist in most organizations. In terms of financial value, the United Nations Children's Fund (UNICEF) greeting card operation and the World Intellectual Property Organization's (WIPO) fee-for-service activities between them account for about 77 per cent of the aggregate gross proceeds of about US$ 670 million generated by all the activities in the 1998-1999 biennium. However, this income figure understates the significant potential of the activities concerned to produce more financial benefits for each organization as a barometer of their efficient management and success in implementing the legislative mandates for which the activities were established. Chapter III discusses these issues and proposes improvement measures.

The above conclusions and other findings of the report lead to the recommendations that follow.

A. RECOMMENDATIONS TO THE UNITED NATIONS

RECOMMENDATION 1

New management arrangements for United Nations revenue-producing activities

(*a*) In line with his proposal to separate the management of revenue-producing activities from the core activities of the Organization, the Secretary-General should consider merging revenue-producing activities into a single Business Division, to be managed by an interdepartmental body, similar to the Senior Advisory Board on Services to the Public (ST/SGB/231), and charged with the following responsibilities:

(i) Developing and managing global marketing and sales operations for the Organization's public-outreach revenue -producing activities;

(ii) Designing and implementing an appropriate personnel and administrative framework responsive to the special nature of the operations under special delegation of authority;

(iii) Improving the financial results of the activities on the basis, inter alia, of strategic and operational business plans incorporating revenue targets;

(iv) Negotiating and managing outsourcing contracts with external entities;

(v) Fostering cooperation and coordination among Secretariat departments, funds and programmes, as well as with interested specialized agencies, in the marketing of public-outreach revenue-producing activities, and performing other functions as may be added and defined.

(*b*) The Secretary-General should consider recommending to the General Assembly revisions to relevant provisions of the United Nations Financial Regulations and Rules in order to align them with the proposed new management arrangements and the policy objectives set forth in recommendation 6 below for revenue-producing activities, including in particular the need to reinvest proceeds into the further development of revenue-producing units (paras. 68-72).

RECOMMENDATION 2

Enhancing public access and visibility

The Secretary-General should consider the possibility of relocating the United Nations bookshops and gift centres in New York and Geneva in such a way that they are as visible and accessible to the general public as to staff and conference delegates in order to improve the prospects of increasing revenue from these operations in the context of increased security measures limiting general public access to the Organization's premises. (paras. 73-76).

RECOMMENDATION 3

Extending geographical spread

With a view to improving the profitability of revenue-producing activities and the United Nations global public image, the Secretary-General should:

(*a*) Consider undertaking cost-benefit analyses of extending the geographical spread of some activities, be it on an experimental basis, such as bookshops, gift centres and sale of philatelic stamps, to more locations in the developed and developing countries, especially where there is a United Nations system presence, such as United Nations Information Centres (UNICS) whose mandate and staffing could be strengthened for this purpose, starting with a selective and trial arrangement;

(*b*) Study the possibility of implementing at the Geneva and Vienna duty stations, the information technology and other suitable dimensions of his proposal for enhancing the United Nations experience for visitors at Headquarters with the involvement of other system organizations as well as the host Governments/cities;

(*c*) Pursue for the above purposes, in the specific case of the Geneva duty station and in cooperation with other interested Geneva-based organizations, the opportunity of the project currently being studied by the Swiss authorities to physically transform and modernize the Place des Nations in Geneva (paras. 77-79).

RECOMMENDATION 4

Exploring outsourcing options

Within the context of General Assembly resolution 55/232 of 23 December 2000 on outsourcing practices, the Secretary-General should ensure that the outsourcing of revenue-producing activities takes into due account:

(*a*) The specific objective and special nature of each activity concerned, as well as the expertise available in-house to frame and effectively monitor mutually beneficial contracts with private-sector entities;

(*b*) The option of outsourcing each eligible operation on a global scale or within geographical segments;

(*c*) The desirability or not of granting exclusive rights to contractors depending on the nature of the activity;

(*d*) The possibility of experimental two-year outsourcing contracts based on net revenue targets and other relevant performance measures (para. 85-88).

RECOMMENDATION 5

United Nations Postal Administration (UNPA)

(*a*) The Secretary-General should seek from the General Assembly the necessary authority to review existing agreements between the Organization and host countries regarding UNPA in order to establish the continuing validity of the existing formula for sharing between the United Nations and host country postal administrations the costs and revenue relating to UNPA operations; the proposed review should take fully into account the overall financial, economic and other benefits that the host countries derive from the location of United Nations system organizations on their territories;

(*b*) The Secretary-General should also initiate consultations with competent authorities of the Universal Postal Union (UPU) with a view to strengthening UNPA business relations with national postal administrations (paras. 89-93).

B. RECOMMENDATIONS TO ALL THE ORGANIZATIONS

RECOMMENDATION 6

Policy objectives

The competent legislative organ of each organization should further strengthen, within a coherent policy framework, existing directives for revenue-producing activities, including, inter alia, the following objectives:

(*a*) To promote the legislative mandates and global public image of the organization while also maximizing revenue, where appropriate, for the discretionary allocation of the member States;

(*b*) To ensure the long-term financial sustainability of the activities through the reinvestment of an appropriate percentage of their proceeds in the organizational and author units directly concerned (to support their enhanced information technology needs, further research and development, production and reproduction, as well as marketing and sales efforts); to that end, self-financing mechanisms, such as special revolving funds, should be established where non-existent at present, and some flexibility may be given to the services concerned to mobilize their own resources, in kind or cash, from public and private sources to meet their needs for start-up capital, working capital, or operational reserves, in keeping with the financial regulations and rules of each organization;

(*c*) To encourage organizational creativity and performance measurement based on financial results;

(*d*) To tap the financial benefits of intellectual property protection rights;

(*e*) To strengthen the comparative advantages of each organization concerned;

(*f*) To adhere to ethical standards consistent with United Nations system values and the ethical framework existing in each organization for cooperation with the international business community (paras. 56-61).

RECOMMENDATION 7

Increasing revenue from publications

The executive heads of the organizations should, where this is not already the case, aim to increase revenue from publications by raising the visibility of their publications programmes in terms of budgets and staff allocations while also taking into account best practices mentioned in this report, and introducing the following measures, inter alia:

(*a*) Achieving a more judicious balance, as may be determined by each organization, between free distribution (including free access over the Internet) and paid distribution of publications;

(*b*) Further expanding the geographical coverage of marketing and sales operations;

(*c*) More widely promoting licensing rights for translations and the reproduction of low-cost local editions, especially in the developing countries;

(*d*) Holding on a more regular basis and at different duty stations, existing informal inter-agency meetings of the heads of publications programmes in the context of the annual Frankfurt Book Fair, and focusing the agendas of these meetings on the sharing of best practices in publishing and marketing activities, including cost and royalty issues relating to co-publishing activities;

(*e*) Establishing common printing services wherever appropriate as outlined in this report, especially with a view to combining limited resources to upgrade plant capacities and technologies for processing high-quality or special printing tasks now generally outsourced to commercial printers (para.. 103).

RECOMMENDATION 8

Public information products

In order to generalize policies and practices already existing in some organizations, the executive heads should identify, among the public information materials of their respective organizations, those products with marketable value, especially audio-visual productions, that could be purposely developed for the twin objectives of advocacy and income-generation, without prejudice to the free distribution of all other public information materials (paras. 104-106).

RECOMMENDATION 9

Electronic databases and related products

(*a*) The organizations should emulate best practices by the United Nations and the International Civil Aviation Organization (ICAO) in the on-line marketing of their databases, and may also give consideration, as appropriate, to the Food and Agriculture Organization's (FAO) formula of free but limited public access, and paid unlimited access to electronic databases;

(*b*) Similarly, the organizations should adopt to the extent feasible United Nations Industrial Development Organization's (UNIDO) Computer Model for Feasibility Analysis and Reporting (COMFAR) in the development and marketing of software programmes that promote their mandates and generate income in the process (paras. 107-112).

RECOMMENDATION 10

Procurement for third parties

(*a*) The executive heads of the organizations should, where necessary, introduce and sustain measures designed to strengthen and maintain their respective comparative advantages in the international procurement of goods and services along the lines set forth in this report;

(*b*) In order to financially support, be it partially, the objective of recommendation 10(a) above, the organizations should study the desirability of charging appropriate bidding or registration fees to private-sector entities submitting proposals to tender for the organizations' procurement and outsourcing contracts (paras. 113-115).

RECOMMENDATION 11

Research and development (R & D) in science and technology

The Chief Executives Board for Coordination (CEB) should set up an ad hoc task force, including WIPO, to formulate a common science and technology policy on patents modelled on World Health Assembly resolution WHA35.14 of 12 May 1982 on policy on patents, aimed at encouraging the organizations to further strengthen their science and technology R & D activities in support of global social and economic development objectives, and to use acquired patent rights more broadly and systematically than heretofore to generate income and other benefits for the further development of R & D activities, which might require centralized and self-financed R & D programmes in some organizations (paras. 117-121).

RECOMMENDATION 12

Substantive training and public lectures

(*a*) The executive heads of the organizations should consider extending or establishing substantive training and public-lecture programmes for non-State actors on a fee-paying basis, with a view to promoting policy and technical dialogue and other forms of interactions with civil society;

(*b*) The potential and cost benefits should also be studied of fee-paying courses which some organizations might wish to offer over the Internet or otherwise on subjects related to their core competencies, in partnership or not with credit-granting educational institutions (paras. 121-123).

RECOMMENDATION 13

Reinforcing the marketing function

The executive heads should ensure that the marketing and sales functions for revenue-producing activities in their respective organizations are reinforced as follows:

(*a*) The conduct of periodic market research studies, particularly for publications, as may be appropriate for each activity;

(*b*) Except for price discounts in the developing countries, the pricing of activities should be guided by a mark-up pricing method and the cost to be considered should include both direct and overhead cost elements of the activity unit concerned, subject to (*c*) below;

(*c*) The subscription fees for databases on line should be guided by a value-pricing method that takes into account their generally exclusive nature, demand potential and the income brackets of the customer segments concerned; the fee-discount policy for favoured user groups should be harmonized; and fee rates should differentiate between institutional and individual customers;

(*d*) The further strengthening of cooperative strategies and mechanisms for distribution and sales services, especially for publications and gift items, including cross-selling of one another's products on a voluntary basis, and extending distribution and sales networks in the developing countries. To that end, full use could be made of United Nations system field offices (paras. 124-127).

INTRODUCTION

1. The subject of this report was suggested to the Joint Inspection Unit (JIU) by the United Nations Office of Internal Oversight Services (OIOS), whose management audits in the past several years of some of the United Nations commercial activities had found much room for improvement. Several specialized agencies also expressed interest in the subject, which has apparently not been addressed before on a system-wide basis. This first review of the topic should therefore furnish comparable information on the organizations' endeavours in this field.

2. The report also addresses the concerns expressed by the United Nations General Assembly in 1997 when it invited the Secretary-General to "propose measures to improve the profitability of the commercial activities of the United Nations, in particular in the sale of publications at Geneva, and, where appropriate, to develop new income-generating measures".[1]

3. This resolution emphasizes two elements of this report, namely to improve the profitability of the commercial activities of the United Nations and to develop new income-generating measures. Accordingly, chapter II of the report is devoted exclusively to an analysis of United Nations revenue-producing activities as the JIU contribution to the objective sought by the General Assembly.

4. More generally, the report embraces activities implemented by the organizations, mostly as an integral part of their regular programmes of work, but that also afford opportunities to generate income. The activities in question are highly varied in nature and scope, ranging from entirely dispensable product lines such as the sale of souvenir items, which generate little revenue, to constitutional fee-for-service activities at WIPO, which finance over 85 per cent of its budget.

5. Some of the operations, such as catering services, rentals, garage and news-stand operations, exist simply as ancillary services necessary to the organizations' daily conduct of work. In other cases, such as in the United Nations, some of them were established purposely to publicize the Charter goals and project the public image of the Organization. Examples include the United Nations Postal Administration and Visitors' Services.

6. Therefore, although the activities will be known in this report as revenue-producing, it is important to bear in mind the differences between them, and the fact that, in most cases, their primary objective is to promote the chartered mission of the organizations concerned, revenue generation being, with some exceptions such as in WIPO, a secondary though worthwhile objective, supportive of the mainstream functions.

7. Furthermore, although the activities are referred to in the United Nations as "commercial activities", this appellation may be a misnomer since they do not entirely fit the private-sector definition of a pure commercial activity, which is the buying and selling of products and services in order to maximize financial profits for the shareholders, all other objectives being subject to the profit motive. By contrast, United Nations system organizations pursue non-commercial and not-for-profit mandates.

8. The original title of the report, as featured in the JIU programme of work for 2001, was "United Nations system revenue-producing activities: income generation and cost recovery". However, in the course of information analysis for the report, it became apparent that income generation and cost recovery differed in concept and practice in most of the organizations, and could not therefore be treated neatly together in a single document.

9. Nevertheless, it would be helpful to clarify the distinction between revenue generation and cost recovery as generally understood within the United Nations system. While the underlying principle in both cases is first and foremost the recovery of the cost of a product or service, a revenue-producing activity should ideally not only recover its costs, but also generate net revenue for further development of the activity concerned, with any surplus income being surrendered to the member States, as further discussed later in this report.

10. In some cases, such as the sale of publications or UNICEF greeting cards, there is no mandatory

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[1] General Assembly resolution A/RES/52/220 of 22 December 1997.

cap on the amount of net revenue or "profit" that could be generated. Financial results in this case derive from the interplay of product cost and quality, marketing strength and demand trends. In other cases, such as fees for services (database subscriptions, procurement fees, licensing contracts or WIPO fee-for-service activities), the legislative organs concerned may, and usually do, establish a price ceiling for such services, but not on the level of potential revenue that could be collected.

11. Cost recovery, on the other hand, applies generally to the recovery of the administrative support costs incurred in respect of services performed mostly in the context of common services covering several organizations, or services provided to extrabudgetary programmes, especially trust funds and technical cooperation projects. The objective here is not to generate net revenue over and above the recovery policy agreed among the organizations (e.g. common services) or mandated by the governing bodies (e.g. 13 per cent recovery rate established by the United Nations General Assembly).

12. However, the financial results of most of the operations, especially those of the United Nations, suggest that they hardly recover their full costs, especially if their indirect costs, such as the cost of office space, furniture and utilities, are to be factored into their balance sheets, which is generally not done. This poor performance can be traced to the fact that the activities concerned have not generally received adequate attention in the past, perhaps because of their relatively limited financial value to most of the organizations.

13. The report accordingly finds room for improvement in this general financial picture. It dwells at some length on the sale of publications, which is at present the most important common revenue-producing activity, but the results of whichvary considerably across the organizations, with the International Maritime Organization (IMO) significantly above the average performance of the system. Although in their comments on the draft of this report the organizations have underlined differences in their mandates and market segments for their publications, the report finds that those differences may not justify the present wide variations among the organizations' publishing achievements as expressed in financial results.

14. Other activity lines are reviewed in the report because the Inspector considers them to hold promise for effectively promoting the organizations' value system and public visibility while also procuring revenue as fee-for-service activities. These include audio-visual productions and related products; electronic databases; procurement for third parties; R & D in science and technology; and substantive training and public lectures targeted to the broader civil society and more especially, to the private sector.

15. Past JIU reports of relevance to this subject include in particular "United Nations publications: enhancing cost effectiveness in implementing legislative mandates" (JIU/REP/97/2–A/51/946), and "Private sector involvement and cooperation with the United Nations system" (JIU/REP/99/6–A/54/700). The first report contains recommendations whose effective implementation would help reduce publishing costs and increase proceeds from publications, while the second reviews cooperative relationships between the United Nations system and the international business community, which the organizations could further harness to ensure more fruitful management of their revenue-producing activities.

16. The Inspector records his appreciation of all the organizations and staff who cooperated in various ways and degrees in the preparation of this report.

I. POLICY FRAMEWORK

A. UNITED NATIONS

17. The United Nations Financial Regulations and Rules include explicit reference to revenue-producing activities which are specified as **the United Nations Postal Administration, the Visitors' Service, sale of publications, the United Nations gift centre and catering and related services.**[2]

18. The Regulations and Rules stipulate that these activities, which are not directly financed out of the programme budget appropriations, but from which the net income accrues as miscellaneous income to the Organization, shall be subject to the same financial controls as apply to activities financed from the programme budget appropriations and shall be administered in accordance with the Financial Regulations and Rules.

19. Although the activities are also referred to as **commercial**, a long-standing policy of the Organization has been not to consider their profitability or revenue factor as being relevant. Thus, a 1955 report by the Secretary-General on the subject stated the following:

(*a*) Where a service is virtually essential to the conduct of business (such as the catering or garage facilities), the Organization should aim at recovering its costs without necessarily aiming at a profit, but should recognize that it may be necessary to subsidize the activity by the provision of certain free facilities;

(*b*) Where an activity, such as the sale of publications, must be undertaken for reasons of general policy, the extent to which recovery of costs, or even the making of a profit, should be attempted must be determined in the light of the requirements of the policy concerned;

(*c*) Where an activity is not absolutely necessary, though a natural one having regard to the objectives of the Organization, such as the Visitors' Service, or the postal administration, the aim should be to recover full costs and to make a profit in addition, if possible.[3]

20. The continuing validity of this policy was reiterated by the Secretary-General in a 1972 follow-up report[4] on the same subject in response to Member States' concerns about the limited financial profitability of the activities. Those concerns crystallized into General Assembly resolution 52/220 of 22 December 1997, inviting the Secretary-General to improve the profitability of the commercial activities of the United Nations and to develop new income-generating measures.

21. This General Assembly resolution was indeed timely in view of the widespread dissatisfaction expressed to the Inspector in the preparation of the present report by some United Nations managers of revenue-producing activities, who felt hamstrung and frustrated by the existing policy structures which, while appropriate to international public administration, may be less so for the efficient management of commercial ventures in a dynamic and competitive global setting.

22. The Secretary-General acted on that resolution with a report entitled "Proposed measures to improve the profitability of the commercial activities of the United Nations",[5] based on an independent review by a private consulting firm of the Organization's commercial activities. In his report, the Secretary-General appears to break with previous policy by proposing new and more enabling policy measures for commercial activities:

> Commercial activities should be managed separately from other core activities of the Secretariat. In particular, conditions need to be created for all commercial activities to be able to: review their revenue and expenditure figures independently of other items associated with the United Nations budget and in a more frequent, timely and regular manner; secure regular feedback from clients; mount limited marketing campaigns based on feedback received; and

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[2] United Nations Financial Regulations and Rules (ST/SGB/Financial Rules/Rev.2/Amend.2), 12 February 1980.

[3] Report of the Secretary-General entitled "Revenue-producing activities" (A/C.5/623), 8 September 1955, p. 3.

[4] Ibid. (A/C.5/1479), 29 November 1972, p. 2.

[5] Report of the Secretary-General, (A/55/546), 8 November 2000.

> make better use of information systems and the Internet, both for expenditure and revenue management and for product marketing and e-commerce possibilities.[6]

23. That report is complemented by another one entitled "Proposal for enhancing the United Nations experience for visitors",[7] in which it is proposed to modernize and improve the experience of visitors to United Nations Headquarters and increase the net income from this activity, whose cumulative loss between 1998 and 2001 is estimated in the report at US$ 2,792,500. The proposed modernization project, to be financed mostly from private donations, is expected to impact positively on related commercial activities such as the bookshop, gift centre and postal administration, as discussed more fully in chapter II.

24. With respect to publications, the United Nations copyright, sales and dissemination policies are set forth in different policy directives on the subject.[8] The sales and pricing policy for example is formulated as follows:

> It has long been held that there is a dual mandate in the sale of United Nations publications: to disseminate United Nations information and to maximize revenue through the sale of publications. Both of these goals can be achieved through management of the sale of publications sensitive to both cost and market factors. The General Assembly has expressly approved the principle that whenever it is desirable and possible, the sale of public informational material should be encouraged not only because the proceeds go to the Working Capital fund, but also because publications that are sold rather than freely distributed usually command greater respect and are more likely to be read and hence have a greater impact [ST/AI/189/Add.15/Rev.1].

25. Internet dissemination policy is, inter alia, stated as follows:

> 4.1 The primary objectives of Internet publishing are:
>
> (a) To ensure global and easy access by Governments, the United Nations system and the public at large to United Nations materials and information as well as to achieve efficiencies in the dissemination of those materials;
>
> (b) To preserve the Organization's intellectual property rights and, where appropriate, to generate revenue and recovery costs in order to finance dissemination costs and the continuing investment in electronic systems and knowledge management technologies in support of the above objectives [ST/AI/2001/5].

26. By the terms of the United Nations copyright policy as stated by the Secretary-General, all published materials of the Organization are generally copyrighted, with the exception of parliamentary documentation and public information material not offered for sale. That includes all intellectual property in the form of text, photos and captions, maps and labels, databases, directories, copyrighted public information materials, software, audio-visual materials and documentation (ST/AI/2001/5).

27. The foregoing paragraphs suggest that the United Nations has in place a comprehensive set of policies for generating revenue from a broad range of products and services developed as part of its mainstream functions. The policies are also being updated periodically to take advantage of new revenue-producing opportunities, such as Internet publishing, electronic databases and e-commerce. The policy framework also encourages the maximization of revenue or profit under certain conditions. Also underlined is the desirability of using part of the revenue to support the further development of the activities concerned (e.g. Internet publishing and the proposed new measures for enhancing the United Nations experience for visitors (A/55/835 of 12 March 2001). However, the Inspector finds that this policy framework is not effectively and consistently applied within the Secretariat and funds and programmes, a notable example being the sale of publications, as will be seen later in this report.

B. UNITED NATIONS FUNDS AND PROGRAMMES

28. The General Assembly in 1996 reiterated the general policy that the funds and programmes would continue to be funded predominantly by

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[6] Ibid, para. 4.

[7] Report of the Secretary-General, (A/55/835), 12 March 2001.

[8] See, e.g. "Copyright in United Nations publications: general principles, practice and procedures", (ST/AI/189/Add.9/Rev.2), 17 September 1987, "Pricing of United Nations publications: principles of pricing policy", (ST/AI/189/Add.15/Rev.1), 30 June 1992; "Guidelines for publishing in an electronic format", (ST/AI/189/Add.28), 14 August 1996; and "United Nations Internet publishing", (ST/AI/2001/5), 22 August 2001.

voluntary contributions from official sources on a predictable, continuous and assured basis.[9] The Assembly, in the same resolution, however also left some discretionary room to the governing bodies of the funds and programmes to "take decisions on their own funding arrangements" (para. 12) in accordance with the decisions of the General Assembly and the Economic and Social Council. Furthermore, the resolution, while not making specific reference to revenue-producing activities, does nevertheless provide that "Innovative funding sources could be an additional element for provision of resources for operational activities for development" (para. 17).

29. In that respect, the innovative funding policy of UNICEF goes back to 1951. The Fund maintains fruitful relations with the global business community both as an advocacy network on behalf of children and for direct commercial ventures such as the sale of greeting cards and other products managed by the Fund's Private Sector Division (PSD). Gross revenue from card and product sales alone increased from US$ 140 million in 2000 to US$ 150 million in 2001.

30. It is important to underline the fact that by engaging in revenue-producing activities, UNICEF pursues twin policy objectives: firstly to advance its statutory mission on behalf of children through the network of its National Committees and Goodwill Ambassadors, and secondly, to raise income in support of the same mission. These two objectives, far from being contradictory, are in fact mutually reinforcing and consistent with the objective and thesis of this report. The UNICEF approach demonstrates a virtuous correlation between the management of revenue-producing activities in accordance with efficient business principles, on the one hand, and achievement of effective results in promoting legislative mandates on the other.

31. The United Nations Development Programme (UNDP) differs from UNICEF in that, as explained by UNDP officials, its policy is focused on building public-private partnerships addressing priorities on the United Nations agenda, including in particular poverty eradication; information and communication technologies; governance and democratization, etc. UNDP does not seek to develop a business orientation akin to that of UNICEF, for example, and does not look to the private sector as a source of funds. Although UNDP publications could be an important source of income, most of them are for free distribution, including the global and national editions of its *Human Development Report*. Although it has an intellectual property rights protection policy, including for science and technology innovations arising from its technical cooperation projects, the marketing requirements and financial value of such rights are by and large neglected.

32. Unlike UNDP, but very much like the multilateral financial institutions, the United Nations Office for Project Services (UNOPS) is entirely self-funding on the basis of fees-for-service activities. Its 2000 portfolio amounted to some US$ 4 billion. UNOPS apparently generates revenue not only by charging fees linked to the cost and complexity of each project, but also by working to reduce its overhead costs which, as reported by UNOPS to the Inspector, dropped on average from 10 per cent in 1998 to 7.5 per cent in 2000.

33. The World Food Programme (WFP) reports that it provides logistics and monitoring services for third parties currently with an added value of US$ 20 million per year, charging a fee-for-service in line with its policies. In addition, the United Nations Population Fund (UNFPA) and WFP have policies for generating their own resources from procurement activities for third parties in their respective areas of competence. UNFPA, for example, reports that in 2000, it generated net revenue (or profit) of about US$ 1 million from its procurement services, part of which income was applied to strengthen its electronic procurement capabilities. This net income was possible mainly because UNFPA had shifted from its original policy of pure cost recovery to a fee-for-service policy. The fact that other organizations of the system apply a flat fee rate for their procurement services for third parties also affords opportunities to generate net revenue through ever more efficient procurement structures and methods.

C. SPECIALIZED AGENCIES

34. The constitutions, financial regulations and rules, and other instruments of the specialized agencies contain explicit provisions on income generation.

[9] General Assembly resolution A/RES/50/227, 24 May 1996, Annex I, entitled "Funding of operational activities for development of the United Nations system".

35. **Food and Agriculture Organization of the United Nations:** regulation VI 6.9 of the FAO Financial Regulations stipulates as follows:

> There shall be established:
>
> (a) an Information Products Revolving Fund to which shall be credited the proceeds of sales of information products and the revenue from advertising in and sponsorship of such products, except that where extra-budgetary funds are used to finance those information products, the proceeds of sales may be credited to such funds. The Fund shall be used only for the following purposes:
>
> (i) to meet the direct costs of reproducing those information products for the sale of which there is a demand or reproducing new information products;
>
> (ii) to pay, from within the resources available to the Fund, the direct costs, including costs of human resources and equipment, not covered by the Programme of Work and Budget, required for the sale and marketing of all such information products; and
>
> (iii) to credit the originating divisions with such proportion of the proceeds credited to the Fund, up to 20 percent thereof, as may be determined by the Director-General, to be utilized within the biennium in which it is credited.
>
> Any balance at the end of each financial period in excess of such sums as may be approved by the Finance Committee to cover commitments in respect of expenditures proposed by the Director-General for the following biennium shall be transferred to Miscellaneous Income.

36. The above is a clear and complete policy directive regarding the need for:

(*a*) The sale of FAO products and services very broadly defined;

(*b*) Specific separate funds and accounts to be established for the proceeds from those products and services;

(*c*) Financial support (incentive) to be allocated to the originating divisions in order to sustain the continuing delivery of the products and services, and their further development;

(*d*) The protection of the intellectual property rights of FAO products.

37. Also defined in this regulation is the type of costs ("direct costs") that the pricing policy for its products and services should seek to recover. The direct costs exclude those already financed from regular budget appropriations. In addition, FAO operates a Money and Medals Programme, such as the sale of commemorative coins the proceeds of which are used to finance concrete technical assistance projects in the member nations.[10]

38. **International Atomic Energy Agency (IAEA)**: its statute provides in its article XIV.E as follows:

> The Board of Governors shall establish periodically a scale of charges, including reasonable uniform storage and handling charges, for materials, services, equipment, and facilities furnished to members by the Agency. The scale shall be designed to produce revenues for the Agency adequate to meet the expenses and costs referred to in sub-paragraph B-2 above, less any voluntary contributions which the Board of Governors may, in accordance with paragraph F, apply for this purpose. The proceeds of such charges shall be placed in a separate fund which shall be used to pay members for any materials, services, equipment, or facilities furnished by them and to meet other expenses referred to in sub-paragraph B-2 above, which may be incurred by the Agency itself.

39. Although the above directive appears in its intent and design closer to full cost recovery than to income generation, the provision that the scale of charges to be established should include "reasonable uniform storage and handling charges" could be open to interpretation in calculating such charges. It would have been useful if this directive had been elaborated further in the Agency's Financial Regulations, regulation 6.05 of which relates only to the recovery of support costs from extrabudgetary resources.

40. **The International Civil Aviation Organization** has established separate and detailed Publications Regulations specifying the purposes and definitions of its publications in different categories and format as well as the free and sales distribution, pricing and copyright policies. All publications revenue is credited to the Miscellaneous Income of the Budget unless otherwise decided by its governing bodies.

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[10] Reply from FAO of 21 May 2001 to a JIU questionnaire for this report.

41. In its reply to a JIU questionnaire for this report, ICAO further elaborated on its existing policy measures to raise revenue or reduce costs, including in particular:

(*a*) The recovery of full costs for services provided by its Legal Bureau to non-governmental parties;

(*b*) Public access to its databases on a subscription basis, although the pricing policy is not specified;

(*c*) Advertising in the *ICAO Journal* published about ten times a year, the advertising revenue being used to finance a substantial portion of the *Journal*'s production costs;

(*d*) The staging of exhibitions in conjunction with international conferences, with proceeds from the exhibitions used to finance the cost of organizing the conferences;

(*e*) Recovery of the costs of producing studies and statistical data requested of ICAO over and above its regular publications.[11]

(*f*) Special funds for administering the income and costs relating to the operation of the garage, conference and cafeteria facilities and provision of interpretation, translation and printing services to third parties.

42. Also established since March 2001 is a separate account for cost-recovery and revenue-generating activities of the major ICAO Programme 111 on Air Transport, to which is credited:

> [R]evenues earned for specific services in the field of air transport provided to international organizations, Contracting States (individually and jointly) and third parties at their request, and on a cost-recovery basis in the provision of data and analytical reports, the conduct of studies and technical support.[12]

Additionally, ICAO provides procurement services to its members and other parties at variable rates depending on purchase value in the context of its Technical Cooperation Programme which, according to ICAO, is operated on a cost-recovery and self-financing basis, with no charge to the regular budget.

43. **International Labour Organization (ILO):** By the terms of the ILO Financial Regulations (article 11(2)),

> [T]he Director-General may pay up to 100 per cent of the income from the sale of publications, including related royalties and fees, into a Publications Revolving Fund in accordance with Rules to be established for the Fund under article 40 of these Regulations.

ILO also generates revenue from rentals paid into a separate Building and Accommodation Fund to finance the costs of construction, alterations, repairs and renewals.

44. **International Telecommunication Union (ITU)**: the ITU Financial Regulations include a requirement for a separate budget section (section 20) for publications revenue, comprising two subsections:

(*a*) The proceeds from the sale of publications;

(*b*) The income from any advertisements placed in the Union's publications. Article 6 additionally provides for "the application of cost recovery as decided by the Council". Revenue from catering activities is credited to a separate "Restaurant/ Cafeteria/Bar Maintenance Fund".

45. The **United Nations Educational, Scientific and Cultural Organization (UNESCO)** operates a range of revenue-producing activities with their special funds grouped under "Other Proprietary Funds" and having specific financial regulations. These funds include: public information liaison and relations funds; publications and auditory and visual materials fund; utilization of headquarters fund; special account for documents and publications services; special account for interpretation services; and special account for micrography.

46. **United Nations Industrial Development Organization**: Its main revenue-producing activities include the sale of publications, statistics databases, tapes and the commercial licensing of its main software product (COMFAR) for the financial appraisal of investment projects, which is currently used by over 2,500 public and private sector entities in some 130 countries. This programme is reviewed later in this report. UNIDO operates separate revolving funds for these activities. While it produces some flagship

[11] ICAO communication to the JIU dated 26 June 2001.

[12] As approved by the ICAO Council at its 162nd session (C-DEC/162/11), 15 March 2001.

publications, such as the *Industrial Development Report*, UNIDO observes in its comments on the draft of this report that it still does not have "a real publications strategy and policy". This shortcoming may explain the very limited publications income of UNIDO, as illustrated in tables and figures in chapter III.

47. **Universal Postal Union:** the UPU General Regulations annexed to its Constitution stipulate in article 115 that,

> [T]he International Bureau shall be responsible for arranging the manufacture of postal identity cards and international reply coupons and for supplying them, at cost, to postal administrations ordering them.

However, the provision "at cost" is not further defined to specify whether this is a fee-for-service procurement arrangement, such as in ICAO, or a full-cost recovery activity. Further still, the UPU regulations include requirements for the provision of services for which no charges are indicated, but which may be subject to fees in some other organizations.

48. For example, article 113(5) states that the International Bureau,

> ...shall act as a clearing house in the settlement of accounts of all kinds relating to the international postal service between administrations requesting this facility.

Further, article 127 requires the International Bureau to provide arbitration services in the settlement of disputes among member administrations. A similar service in WIPO is a revenue-producing activity (see below). At present, therefore, the two sources of revenue in UPU are publications and rental of premises.

49. **World Health Organization (WHO):** Article 9.4 of the WHO Financial Regulations authorizes the Director-General to establish revolving funds so that activities may be operated on a self-financing basis. Thus a Revolving Sales Fund has been established pursuant to World Health Assembly resolutions WHA12.6 and WHA22.8:

> ...for the purpose of financing the cost of printing and reprinting additional copies of WHO publications for sale, of producing additional copies of WHO films, filmstrips, other visual media, of the production of any other item which the Organization may produce for sale, of sales promotion, of staff exclusively engaged in such sales, and the distribution and mailing costs.

50. Additionally, Assembly resolution WHA35.14 on Policy on patents authorizes WHO to:

> ...obtain patents, inventors' certificates or interests in patents on patentable health technology developed through projects supported by WHO, where such rights and interests are necessary to ensure development of the new technology; the Organization shall use its patent rights, and any financial or other benefits associated therewith, to promote the development, production, and wide availability of health technology in the public interest.

In terms of clarity of formulation, especially regarding the financial and other benefits to be derived from patents, the WHO patent policy is indeed an exemplar for other organizations.

51. **World Intellectual Property Organization:** the WIPO Convention (Constitution) specifies in article 11(2) the different sources for financing the budget of the Organization. The provisions relevant to this report are as follows:

> (a) The budget of expenses common to the Unions shall include provision for expenses of interest to several Unions.
>
> (b) This budget shall be financed from the following sources:
>
> (i) contributions of the Unions, provided that the amount of the contribution of each Union shall be fixed by the Assembly of that Union, having regard to the interest the Union has in the common expenses;
>
> (ii) charges due for services performed by the International Bureau not in direct relation with any of the Unions or not received for services rendered by the International Bureau in the field of legal-technical assistance;
>
> (iii) sale of, or royalties on, the publications of the International Bureau not directly concerning any of the Unions;
>
> (iv) gifts, bequests, and subventions, given to the Organization, except those referred to in paragraph (3)(b)(iv);
>
> (v) rents, interests, and other miscellaneous income, of the Organization.

52. The source of funds mentioned in (b) (ii) above, namely charges due for services performed by WIPO, account at present for about 84 per cent of its budget. Those charges relate to international applications for patents, international registration

of trademarks, and international deposit of industrial designs. The provision of services under these systems is a central and unique feature of WIPO. Member States exercise control not only by setting and periodically adapting fee rates, but also by deciding on revenue allocations through the budget review and approval process. Furthermore, article 57(2) and (3) of the Patent Cooperation Treaty (PCT) also details various charges due for WIPO services directly related to specific Unions and the sale of publications directly concerning specific Unions.

53. In addition, WIPO also charges fees for its arbitration and mediation services in intellectual property protection disputes, and is working to ensure that, with the projected significant rise in the number of filings of online dispute resolution cases, from 1,857 in 2000 to 3,600 in 2003, the WIPO Arbitration and Mediation Center should become financially self-sustaining. It should be added that these fee-financed activities are central to the WIPO treaties and to its corporate performance, and also burnish its public profile.

D. SYNTHESIS

54. In synthesis, the preceding sections outline the overall policy setting for income generation within the United Nations system. The first conclusion is that some of the organizations' revenue-producing activities are stipulated in their respective basic texts (constitutions, financial regulations and rules, and resolutions), and implemented as an integral part of their core missions. However, only in a few organizations, such as the United Nations, UNICEF or WIPO, are such activities formally recognized as actual or potential revenue sources. The second conclusion is that the policies reviewed are, in fact, not dissimilar to the domestic policies of the member States themselves with respect to the fees they charge for services to the public. However, the organizations' policies differ in terms of objectives, scope and activity types. It would therefore seem desirable to develop a common policy framework for income generation similar to guidelines established in some organizations for cooperation with private-sector entities. The Inspector therefore proposes the following common set of policy objectives.

55. **To promote legislative mandates and organizational visibility**: The primary objective of the activities under review should be to promote the organizations' constitutional mandates and public visibility. The related revenue objective is no less important, especially as a performance indicator of the degree to which the primary objectives are being attained. Revenue from the activities should remain at the allocation discretion of the member States, who may decide to use it to:

(*a*) Reduce the contributions of the member States as in ICAO and WIPO especially;

(*b*) Increase resources for the organizations' development programmes as in FAO or IMO;

(*c*) Finance humanitarian emergency operations as in UNICEF;

(*d*) Finance the further development of the activities, as stipulated in some of the policies reviewed above.

56. The United Nations development account to which are credited resources accruing from Secretariat reform initiatives is equally illustrative of the above policy options. Further still, maximizing income from the activities under review could also contribute to some of the objectives of the International Conference on Financing for Development held in Monterrey, Mexico, in March 2002.[13]

57. **To ensure the long-term financial sustainability of revenue-producing activities:** As may be determined by each organization in the light of requirements, a percentage of the proceeds from these activities should be reinvested in the organizational units directly concerned, for example to support their enhanced information technology needs, further R & D, production as well as marketing and sales efforts, with the goal of securing the long-term financial and management self-reliance of the activities and organizational units concerned. To this end, self-financing mechanisms should be established for the activities, such as special revolving funds already operated by some organizations, and some flexibility should be accorded to the services concerned to mobilize their own resources from public and private sources, in kind or cash, to meet their needs for start-up capital, working capital or operational reserves.

[13] See "Technical note No. 3: Existing proposals for innovative sources of finance", (A/AC.257/27/Add.3), 20 September 2001.

58. **To encourage organizational creativity and performance measurement:** In cases where management of revenue-producing activities is not fully outsourced, financial results would be an obvious factor in measuring creativity and success in the work of the organizations, all things being equal. For example, the success of the UNIDO COMFAR initiative in promoting its mandate around the world is easily measurable in terms of the high number (about 2,500) of the licences of the COMFAR software in over 130 countries and by the constant financial surplus posted by its revolving fund.

59. **To tap the financial and other benefits of intellectual property rights:** As unique multilateral pools of knowledge and virtually exclusive sources of authoritative information on global norms and standards in their respective fields of endeavour, the organizations stand to benefit financially from a more structured policy of intellectual property protection in an increasingly knowledge-driven global economy. At present mostly publications in book and electronic formats seem to be systematically copyrighted and marketed. With few exceptions, there is as yet no common or standard policy for patenting and marketing other knowledge resources and scientific innovations resulting from the implementation of programmes and projects.

60. **To maximize comparative and competitive advantages:** In addition to their unique knowledge resources and databases, the organizations have other comparative advantages that it would seem desirable to nurture and develop on a sustained basis, as more fully discussed in chapter III.

61. **To adhere to United Nations system ethical standards:** Revenue-producing activities should be consistent with each organization's ethical framework, especially in relations with the business community (**recommendation 6**).

II. UNITED NATIONS ACTIVITIES

A. OVERVIEW

62. This chapter aims to contribute to efforts currently under way at the United Nations to reorganize and strengthen the management of the Organization's revenue-producing activities, pursuant to two specific resolutions of the General Assembly (52/220 of 22 December 1997 and 56/238 of 24 December 2001) on proposed measures to improve the profitability of the commercial activities of the United Nations. Although the chapter takes an integrative view of all the Organization's revenue-producing activities, the emphasis is on those operations specific to the United Nations, while activities such as publications, information products or electronic databases, which are also implemented by other organizations of the system, are covered more fully in the next chapter on United Nations system activities.

63. The activities reviewed are those listed in Income section 3 (services to the public) of the United Nations proposed programme budget for the biennium 2002-2003 (A/56/6 (Income sect. 3)) and reproduced in table 1 below. As noted earlier in this report, the primary objective of the activities is not commercial but rather to promote the work and public image of the Organization. Therefore, it would be appropriate not to refer to these activities as commercial but as revenue-producing activities, consistent with the terminology used in the United Nations Financial Regulations and Rules.

Table 1: Overview of United Nations revenue-producing activities: Summary by individual activity– estimates of gross and net revenue (in United States thousands of dollars)

	2000-2001 approved estimates	*2002-2003 estimates*	*2002-2003 increase (decrease)*
A. PROGRAMME OF WORK			
1. United Nations Postal Administration operations			
Gross revenue	20 755.4	16 975.3	(3 780.1)
Less expenses against revenue	19 114.7	16 861.3	(2 253.4)
Net revenue	1 640.7	114.0	(1 526.7)
2. Sale of United Nations publications			
Gross revenue	18 569.4	19 222.8	653.4
Less expenses against revenue	15 893.9	15 699.1	(194.8)
Net revenue	2 675.5	3 523.7	848.2
3. Services to visitors			
Gross revenue	6 721.8	7 369.6	647.8
Less expenses against revenue	8 798.1	9 147.6	349.5
Net revenue	(2 076.3)	(1 778.0)	298.3
4. Sale of statistical products			
Gross revenue	928.0	949.3	21.3
Less expenses against revenue	844.5	895.4	50.9
Net revenue	83.5	53.9	(29.6)
5. Sale of gift items			
Gross revenue	1 825.0	1 845.9	20.9
Less expenses against revenue	-	17.0	17.0
Net revenue	1 825.0	1 828.9	3.9
6. News-stand operations			
Gross revenue	200.0	200.0	-
Less expenses against revenue	-	-	-
Net revenue	200.0	200.0	-

Table 1 (continued)

	2000-2001 approved estimates	*2002-2003 estimates*	*2002-2003 increase (decrease)*
7. Garage operations			
Gross revenue	2 847.4	2 636.7	(210.7)
Less expenses against revenue	1 666.6	1 644.1	(22.5)
Net revenue	1 180.8	992.6	(188.2)
8. Catering operations			
Gross revenue	1 000.0	1 020.9	20.9
Less expenses against revenue	902.6	938.9	36.3
Net revenue	97.4	82.0	(15.4)
9. Other commercial operations			
Gross revenue	60.1	597.8	537.7
Less expenses against revenue	18.7	231.6	212.9
Net revenue	41.4	366.2	324.8
B. PROGRAMME SUPPORT			
Revenue Accounts Unit			
Expenses against revenue	699.1	745.3	46.2
Total gross revenue	52 907.1	50 818.2	(2 088.9)
Less total expenses against revenue	47 938.2	46 180.3	(1 757.9)
TOTAL NET REVENUE	**4 968.9**	**4 637.9**	**(331.0)**

Source: United Nations proposed programme budget for the biennium 2002-2003 (A/56/6) (Income sect. 3). Not shown in this table are other revenue-producing activities such as rental of premises, television products, language training, etc. which are included in table 2 in the next chapter.

64. Some of the activities have been the subject of management audits by OIOS since 1995. Those audited include sales of publications at Headquarters and Geneva, United Nations Postal Administration at Headquarters and Vienna, Visitors' Services at Headquarters and Vienna, and bookshop and catering operations. The audits essentially found that the operations concerned were in general fulfilling their mandate to promote public awareness of the United Nations and its programmes.

65. But the audits also revealed a number of management weaknesses shared by these activities, such as inadequate compliance with Financial Regulations and Rules, limited internal control of inventory and accounts, poor financial returns, high staff costs, lack of a system for accounting for the full costs, including indirect costs, of the operations in question, less-than-advantageous outsourcing arrangements–especially with respect to catering–and uneven promotional initiatives.

66. These combined difficulties appeared to be indicative of the challenge of managing a business concern within a normative and regulatory environment not designed for business operations. The Secretary-General's report on proposed measures to improve the profitability of the commercial activities of the United Nations (A/55/546 of 8 November 2000) also noted a need to clarify management structures and responsibilities, to fine-tune support services for these activities and to ensure that:

> the new core staff to be recruited in the Commercial Activities Service will need to have certain retail, marketing, strategy and management experience in order to drive the reform process forward [para. 5].

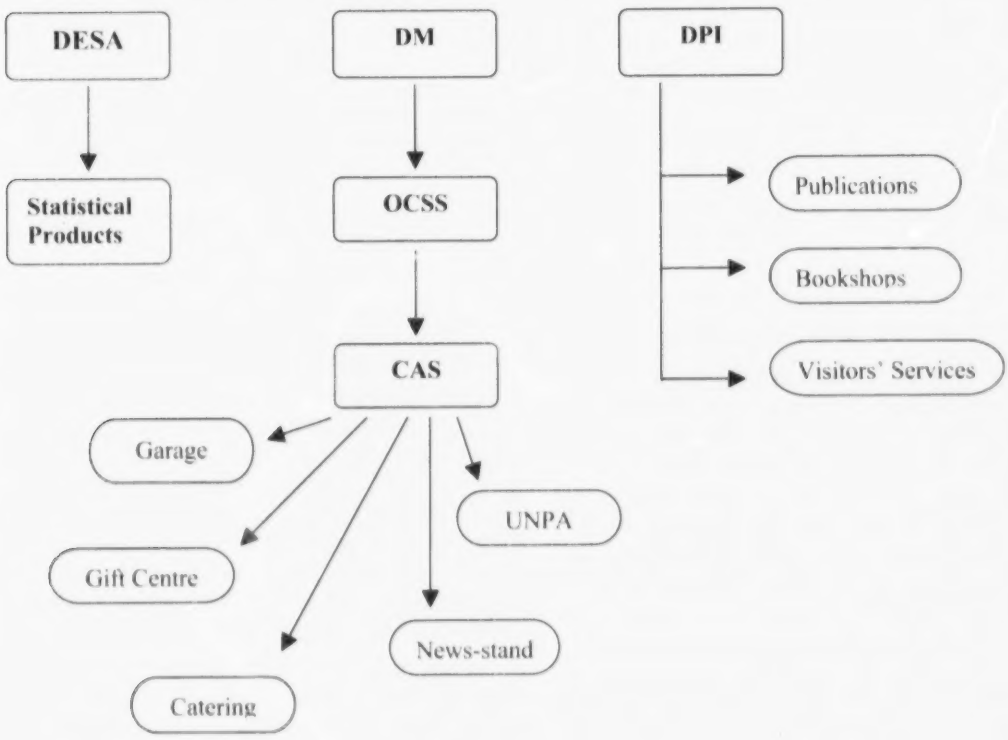
67. Since the basic shortcomings of these operations have, therefore, been pinpointed by OIOS and the Secretary-General, the Inspector will not dwell at length on the same issues in this section of the report. Accordingly, the analysis that follows focuses on some of the salient characteristics shared by the Organization's revenue-producing activities in order to propose new directions and identify opportunities for enhancing their operational efficiencies, market profile and profitability.

B. ORGANIZATIONAL ARRANGEMENTS

68. Excluding statistical products which are a relatively limited service, the rest of the activities fall under the Department of Management (DM) and the Department of Public Information (DPI).

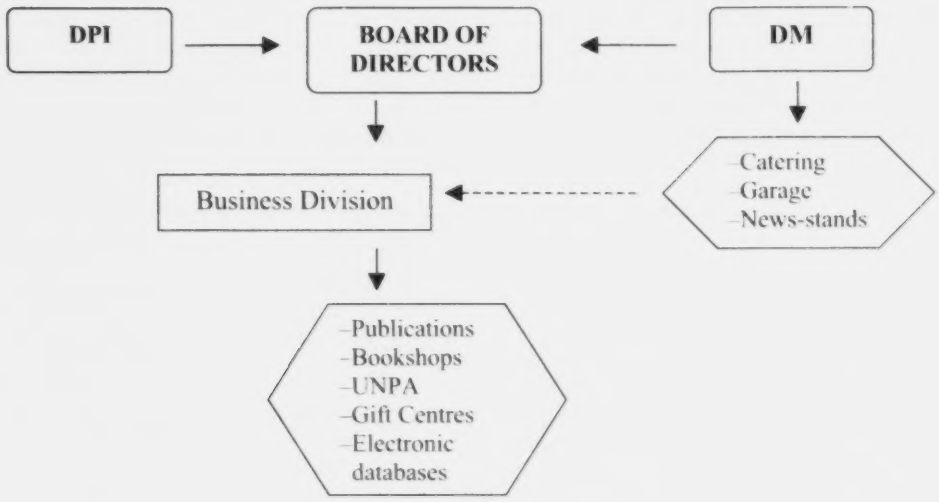
The Commercial Activities Service (CAS), which reports to the Office of Central Support Services (OCSS), has responsibility for five of the activities shown in figure I and the rest fall under the responsibility of DPI. Thus, present organizational arrangements seem to be based on a somewhat pragmatic sharing of responsibilities between DM and DPI. However, if the activities were to be reorganized to align them further with the respective substantive areas of competence of the two departments concerned, namely public outreach activities for DPI and essentially internal management operations for DM, a new configuration would be necessary.

Figure I: United Nations revenue-producing activities: current organization



69. Information gathered for this report indicates that the two departments concerned have not fully combined their respective substantive strengths in support of these activities. For example, joint promotional efforts involving two or more of the activities such as sales publications, UNPA and services to visitors, are few and far between. Coordinated marketing strategies involving several duty stations are apparently not undertaken. However, such cooperation is not necessarily more frequent even for activities lodged within the same department, such as between sales publications and UNICs around the world or using United Nations publications to advertise UNPA products. If the activities were therefore to be reconfigured to ensure that they benefit more effectively from the combined operations management expertise of DM and the public outreach and advocacy mandate of DPI, the resulting structure could be as shown in figure II below.

Figure II: Reorganization of revenue-producing activities



C. STAFFING AND ADMINISTRATION

70. In line with current United Nations policy, revenue-producing activities are staffed and administered like the core activities of the Secretariat. Predictably, personnel costs account for a significant portion of the operations' expenditures, following the general pattern of costs by objects of expenditure in the Organization. For example, the 1997 OIOS audit of UNPA operations found that:

> the decline in UNPA's revenue was accompanied by an increase in its expenses. A major factor for this increase was UNPA's staff costs. Internal analysis by UNPA of its staff costs showed that the ratio of its staff costs to net revenue had increased from 44 per cent in 1986-1987 to 78 per cent in 1994-1995.[14]

71. In the 2000-2001 biennium, the ratio of personnel costs (posts, other staff costs, consultants and travel) to total expenditures by all the activities listed in table 1 above was 63 per cent. By comparison, the Private Sector Division (PSD) personnel costs of UNICEF (support services and marketing) represented 24 per cent of its total expenditures during the same biennium.[15] The average rate of return on sales (percentage of net profit to gross sales) for all United Nations revenue-producing activities in question was barely 9.4 per cent during the biennium considered, compared to 38 per cent for UNICEF during the same period. The UNICEF figures are more in line with, and even surpass, operating performance ratios that define high-performing companies in the private sector globally.

72. In the light of the foregoing comparisons, therefore, the Secretary-General's proposal to endow the Organization's revenue-producing activities with separate, more simplified administrative arrangements was indeed timely and commendable. In implementing this proposal, the Secretary-General should consider the option of merging some of the activities into a single Business Division involving mostly advocacy and public outreach operations, and to be managed by a marketing executive recruited from the private sector, with oversight being provided by an interdepartmental board of directors (**recommendation 1**).

[14] United Nations' General Assembly, (A/51/897), annex, Report of the Office of Internal Oversight Services on the audit of the United Nations Postal Administration, of 13 May 1997, sect. IIA, para. 13.

[15] See tables attached to the UNICEF PSD work plan and budget for 2001 (E/ICEF/2001/AB/L.1), 18 April 2001.

D. PUBLIC VISIBILITY AND ACCESSIBILITY

73. The visibility to the general public of the current location of some of these activities, especially the bookshops and gift centres at Headquarters and Geneva, deserves a hard look. In his report on enhancing the United Nations experience for visitors (A/55/835 of 12 March 2001), the Secretary-General had proposed measures for implementing a new visitors experience that would:

> ...make the current Services to Visitors' programme a more financially viable operation and substantially improve the profitability of commercial activities directly associated with that programme" [para. 4].

The United Nations bookshop, gift centre and Postal Counter (UNPA) at Headquarters in New York are among the activities expected to benefit substantially from enhanced public visibility once the proposed project is implemented, besides the visitors' programme which would be the prime beneficiary.

74. Some of the merits of the Secretary-General's proposals for improving the visitors' experience include his integrated view of revenue-producing activities located at Headquarters as well as the proposed coordinated involvement in the project's implementation process of the two main departments concerned by these activities. However, the benefits of increased public exposure and financial returns likely to accrue to the bookshop and gift centre in particular are predicated on the assumption of a substantially increased number of visitors entering the United Nations Headquarters building.

75. An additional option needs to be explored, for example locating the bookshop and gift centre at one of the external gates to the Headquarters building in such a way that these two operations would be simultaneously visible and accessible to customers of the Visitors' Service and to the wider public. The current location of both operations within the basement of the Headquarters building clearly limits their commercial accessibility to the general public, especially in view of the stringent security clearances required to enter United Nations premises.

76. Accordingly, further cooperation between DM and DPI would be required to review the feasibility of enhancing general public access to the bookshop and gift centre at Headquarters. The above observation also applies to similar operations at the United Nations Office at Geneva and probably as well to the Vienna International Centre building. In Geneva, for example, the bookshop, that is also combined with a gift centre, is located at the extreme east wing (gate 40) of the Palais des Nations premises, far from public view and possibly not even within sight of conference delegates. Alternatively, branch operations of these two activities could be established on an experimental basis outside United Nations premises in the cities concerned, if necessary in collaboration with appropriate merchandise retailers (**recommendation 2**).

E. GEOGRAPHICAL DEPLOYMENT

77. The current geographical radius of revenue-producing activities, especially sales publications, bookshops and gift centres, could still better reflect the global membership and worldwide span of the Organization's work. For example, the sale of publications in the developed countries, where sales agents are heavily concentrated, accounts on average for about 80 per cent of publications revenue in many organizations. Existing policy in most of the organizations to sell publications at heavy discount rates in the developing countries, justified as it may be, only partially explains the relatively small revenue generated in those countries. Another explanation may be the limited publications distribution channels in those countries, as explained in the next chapter.

78. Further still, consideration needs to be given to establishing, subject to pre-feasibility studies, appropriate bookshops, gift centres and postal operations at other major duty stations of the Organization, more or less similar to those at Headquarters and in Geneva, especially at the seats of the regional economic commissions, at the United Nations Office in Nairobi, and also in the developed countries and countries with economies in transition where there is a United Nations system presence, especially UNICs, whose mandates and staffing could be further strengthened for this purpose. Efforts in this direction could first be tried out in a few pilot projects.

79. Additionally, the increasing number of integrated United Nations system support services or "business centres" being established at some field locations also offers opportunities for further

projecting the geographical reach of the Organization's revenue-producing activities. Such field-based business centres could equally serve as subcontractors for the marketing and sales operations, including in particular publications, gift items and United Nations philatelic stamps **(recommendation 3(a))**.

80. Further, it would seem desirable to consider implementing for the Visitors' Services in Geneva and Vienna some modernization aspects, especially interactive media presentations, of the project currently proposed for Headquarters, depending on its ultimate success. The Inspector was informed, for example, that in anticipation of the Swiss referendum in March 2002 on the country's membership of the United Nations, the Swiss Federal Government had given a donation to the Visitors' Service of the United Nations Office at Geneva in order to strengthen it to further promote the public image of the United Nations in Switzerland.

81. This Swiss gesture, together with that of the United Nations Association of the United States in support of the Visitors' Service at Headquarters, are indicative of financial and other partnership opportunities that senior United Nations officials could tap more systematically for the benefit of the Organization's income-generating activities as explained in the next paragraphs. New opportunities for some Geneva-based commercial activities such as the Visitors' Service, bookshop and gift centre, including their increased synergies with similar activities by other Geneva-based organizations of the system, could arise from the project currently being studied by the Swiss authorities to physically transform and modernize the Place des Nations. As such, the Organization should seek in advance to coordinate the quest for increased public visibility and access to its Geneva-based commercial activities with the Swiss authorities responsible for the new Place des Nations physical master plan **(recommendation 3(b) and (c))**.

F. SENIOR MANAGEMENT SUPPORT

82. The Secretary-General's aforementioned reports on improving the profitability of the Organization's commercial activities, and on enhancing the United Nations experience for visitors, are suggestive of the high-profile attention these activities are now receiving at the top management level. It is important that this attention be sustained and diffused throughout the United Nations Secretariat. In the course of preparing this report, the Inspector heard the somewhat prevalent view that these activities did not always receive the attention they deserve from the administration, not only at Headquarters but also at other duty stations.

83. The special nature and requirements of these activities need to be recognized for their profitability to be improved and to ensure their successful development at other duty stations, especially at field level, as proposed above. The new management arrangements outlined in recommendation 1 should hopefully help sustain the required senior management support for these activities at all duty stations. More specifically, and following the examples of the Governments of the Member States which promote the interests of their private sector, senior United Nations officials could also do likewise for the Organization's revenue-producing activities, whenever appropriate, in the context of their advocacy work for the Organization as a whole.

84. In addition, high-level contacts with authorities in host cities and countries could secure such special advantages as free or low-cost public space for publicity materials (e.g. airports for the Visitors' Services); special rebate charges by national postal administrations for UNPA activities; or waiving taxes on all United Nations revenue-producing activities, including those of UNICEF, irrespective of whether they are managed internally or by an external contractor.

G. OUTSOURCING OPTIONS

85. At present, some revenue-producing activities are more or less fully managed in-house (UNPA, sales publications, Visitors' Services and bookshop in Geneva); others are partially outsourced (bookshop at Headquarters and garage) while the rest are fully outsourced (gift centre, catering and news-stand). There seems at present to be no coherent outsourcing strategy for these activities, maybe partly because of the issue of host country tax policy that might apply across the board were all the activities to be outsourced fully. Currently, host country taxes are levied on the Gift Centre operation, which is fully privatized. Therefore, in considering an outsourcing strategy for these activities, the first consideration might be whether or not they would be subject to national taxation in countries where they could be deployed around the

world, as suggested in this report, and whether this issue can be resolved in the context of host country agreements.

86. The second requirement for outsourcing may be to distinguish between activities which could feasibly and profitably be outsourced on a global scale, such as the sale of gift items, publications and philatelic stamps, and those for which outsourcing would be more appropriate for each duty station concerned, such as catering and news-stand operations. Furthermore, for those activities that could be outsourced globally, it would still be essential to decide whether to entrust them either to different contractors in different international market segments or to entrust each of the activities to a single global merchandise retailer with exclusive rights.

87. The difficulty of managing relations with external contractors is revealed by the current experience with the garage and catering operations at Headquarters. Partly privatized, initially on an experimental basis, the garage operation apparently faces a problem of frequent turnover of its outsourced personnel, requiring constant training at United Nations expense of new workers provided each time by the contractor. The wages paid by the contractor are said to be low, leading to low morale.

88. With respect to catering, a 1997 OIOS audit of this activity concluded that:

> [T]he contractor, with limited capital investment, retained a significant profit of more than US$ 12 million over the 10-year period from 1986 to 1996, while the United Nations continued to subsidize the catering operation. The United Nations could have secured a fair share of this profit or ensured reimbursement of its costs incurred in the operation if such provisions had been included in the contract[16] [**recommendation 4**].

89. The UNPA collaborative arrangement with the postal administration of the United States could also be likened to a form of outsourcing whereby the United States postal authority provides services to the United Nations in accordance with the Postal Agreement between the United Nations and the *United States of America*[17] Under this agreement, the United Nations provides, **free of charge**:

(*a*) United Nations postal items to be handled by the United States Post Office Department, and

(*b*) [T]he quarters, custodial services and utilities necessary to enable the United States Post Office Department to operate the United Nations Post Office Station in the Headquarters District" [sect. 5 of the Agreement].

90. It is to be noted that national postal administrations pay for the production of their needed postal items as well as for space and all necessary utilities required by their post offices. Although the United Nations bears these costs, the Agreement with the United States Post Office Department requires that:

> [A]ll revenue derived from such sales of United Nations postage stamps and from other services rendered to the United Nations Post Office Station shall be retained by the United States Post Office Department as full and complete compensation for performance of its obligations under the terms of this Agreement [sect. 3].

91. In addition, the United Nations reimburses the United States postal administration for postal services it performs for the United Nations in connection with the sale of philatelic stamps, and the United Nations post office station is required to provide **at prevailing rates** all the services offered by a comparable United States post office. Agreements with other host countries (especially Austria and Switzerland), where UNPA operates similar postal services, appear by and large to be modelled on that established at Headquarters with the United States postal administration.

92. In view of the above, the prospect of further increasing the profitability of UNPA would seem to depend largely on a review of the mutual cost benefits of the business cooperation currently existing between UNPA and host country postal administrations. Without an updated, accurate determination of the full costs borne by either party, it would be difficult not to form the impression that the United Nations may unwittingly be subsidizing host-country postal administrations in question. The best way to refute that impression is to undertake the recommended

[16] United Nations' General Assembly (A/51/802), annex, Report of the Office of Internal Oversight Services on the audit of Headquarters catering operations, 20 February 1997.

[17] General Assembly resolution 454 (V), annex, 16 November 1950.

review, if necessary drawing upon the technical expertise of UPU in postal matters, and taking fully into account the broader financial, economic and other benefits that the host countries derive from the presence of United Nations system organizations on their territories. At a minimum, the review should aim at finding an equitable formula for sharing both the costs and revenue resulting from the sale of the United Nations stamps at United Nations post offices at Headquarters, Geneva and Vienna, and wherever such offices may be established in future, as opposed to the existing practice whereby the Organization provides, free of charge stamps, space, facilities and utilities to the postal administrations concerned.

93. Additionally, the option could again be considered of securing the affiliation of UNPA to UPU under special conditions in order to strengthen its business relations with UPU members in various ways. It may be recalled that original consultations leading to the establishment of UNPA had envisioned that UNPA would operate like a national postal administration in its own right. Although the Provisional Executive and Liaison Committee of UPU at the time examined and declined this proposal, the question might now be ripe for further exploration after a time lapse of more than fifty years since the Advisory Committee on Administrative and Budgetary Questions (ACABQ) had first suggested that UPU consider amending its Regulations in order to accommodate UNPA as a member[18] in 1948 (**recommendation 5**).

[18] Report of the Secretary-General on the Organization of a United Nations Postal Administration (A/655), 28 September 1948.

III. UNITED NATIONS SYSTEM ACTIVITIES

A. OVERVIEW

94. This chapter reviews revenue-producing activities that are either currently being operated or that have the potential to be implemented by all or most of the organizations in their respective fields of competence. Table 2 gives a fair indicative picture of these activities during the 1998-1999 biennium. The aggregate gross financial returns during this period stood at US$ 670 million. However, these financial results are mostly attributable to UNICEF (41.7 per cent) and WIPO (34.8 per cent) or 77.8 per cent for both organizations. The United Nations' total gross revenue of about US$ 67 million represented 10 per cent of the aggregate income. Thus, besides the United Nations, UNICEF, WIPO and the rest of the organizations accounted for 13.5 per cent of the aggregate income from these activities during the 1998-1999 biennium.

Table 2: Revenue-producing activities of the organizations 1998-1999 (in United States thousands of dollars (gross))

Organization	Sales publi-cations	Rental of premises	Fees for services	Postal items	UNICEF Greeting cards (PSD)	Souvenir and Gift items	Catering	Visitors' service	Others	TOTAL
UNITED NATIONS[a]	15 332	11 434	278[b]	25 718		1 700	1 000	6 767	4 847[c]	**67 076**
UNICEF	19				279 481					**279 500**
FAO	1 706	163	3 821			751				**6 441**
IAEA	1 203		70							**1 273**
ICAO	5 786		892							**14 706**
ILO	3 733	936								**4 669**
IMO	12 600									**12 600**
ITU	18 509					31	89			**18 629**
UNESCO	5 375	5 875	2 048			76	7 012			**20 386**
UNIDO	112		350							**462**
UPU	426	520								**946**
WHO	7 979	1 618		18			183			**9 798**
WIPO	6 360	1 111	225 924			39				**233 434**[d]
WMO	380									**380**
Total gross revenue	**79 520**	**21 657**	**241 411**	**25 736**	**279 481**	**2 597**	**8 284**	**6 767**	**4 847**	**670 300**

Source: Compiled from data provided to JIU by the organizations.

[a] *Based on figures provided in Income sections 2 and 3, volume III of the proposed programme budget for the biennium 2000-2001 (A/54/6/Rev.1).*

[b] *Language training fees collected at the United Nations Office at Geneva and the Economic Commission for Africa in Addis Ababa.*

[c] *Combined total for garage administration ($ 2 827); television and related products ($ 1 118); statistical products ($ 802) and news-stand ($ 100) in thousands of United States dollars.*

[d] *The WIPO total during the 2000-2001 biennium was US$ 269,811 (in thousands), representing 87.6 per cent of its budget.*

95. The allocation of proceeds is summarized in table 3, which shows that the most common practice is the operation of revolving funds and the provision of some incentives to the units producing and managing the activities concerned. In the United Nations, where the policy stipulated in the Financial Regulations and Rules is to credit such proceeds to the miscellaneous income of the budget, in effect to Member States, some emerging exceptions relating, for example, to new proposals for enhancing the United Nations experience for visitors or Internet publishing guidelines, suggest that a new allocation policy may be in the pipeline.

Table 3: Allocation of income from revenue-producing activities

Selected organizations	General Fund (Miscellaneous income)	Development accounts	Revolving Fund	Organizational units concerned
UNITED NATIONS	X [a]			
FAO	X [b]	X	X	X
ICAO	X		X	X
ILO			X	X
IMO		X	X	X
ITU			X	
UNIDO	X [b]		X	X
WHO	X [c]		X	
WIPO	X	X		X
UNESCO			X	X
UNICEF		X		X

[a] *As stipulated in the United Nations Financial Regulations and Rules, however some activities such as statistical products and catering operations are self-financing.*

[b] *Up to the end of 1999, the net income from sales publications was fully credited to the General Fund miscellaneous income. Since 2000, a sales publications revolving fund has been established and only half of the net income is now credited to the General Fund miscellaneous income.*

[c] *Surplus revenue only.*

96. The spread of the activities within the United Nations system is shown in table 4. Publications are sold by all the organizations, and most of them also sell gifts and souvenir items, usually at their headquarters premises. One product line with significant revenue-generating potential is patenting and marketing of research and development (R & D) innovations in science and technology, which could be of interest to some organizations, as shown in table 4.

Table 4: Spread of activities/product lines

A. COMMON TO ALL OR MOST ORGANIZATIONS • Publications (book and electronic format) • Public information products • Electronic databases • Procurement for third parties • Training • Gift items • Rental of premises/garage • Catering services	**C. SPECIFIC TO THE UNITED NATIONS** Postal administration/philatelic stamps Visitors' Services Important databases online: • Treaty collection • ODS • Daily subsistence allowance rates • Common database • Bulletin of statistics
B. PRODUCTS OF POTENTIAL INTEREST TO SEVERAL ORGANIZATIONS INDIVIDUALLY AND COLLECTIVELY (E.G. FAO, IAEA, UNEP, UNESCO, UNDP, UNIDO, UPU, WHO) Research and Development (R & D) products in science and technology	**D. SPECIFIC TO UNICEF** Greeting cards and related products **E. SPECIFIC TO WIPO** Services related to international applications for patents, international registration of trademarks, international deposit of industrial designs, and arbitration and mediation services

B. PRODUCT LINES

Sale of publications

97. The sale of publications is one revenue-producing activity shared by all the organizations. As noted in table 2 above, sales publications generated aggregate gross income of about US$ 80 million in the 1998-1999 biennium. But performance by individual organizations varied considerably, as illustrated in figure III. ITU came well on top in absolute sales of US$ 18.5 million, but IMO established the relative commanding benchmark of generating publications revenue equal to 21.4 per cent of its regular budget, with ICAO and WIPO also delivering a good performance. The data suggest that with two exceptions (UPU and World Meteorological Organization (WMO)), the smaller organizations perform considerably better than the larger ones in generating revenue from publications. Figure IV and table 5 further summarize in curves and figures the publishing activity of IMO.

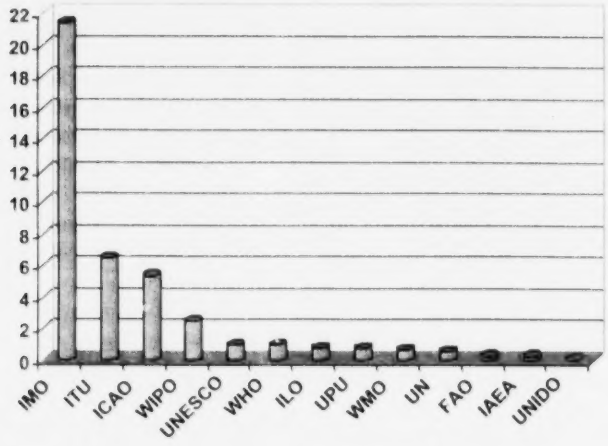
98. While the Inspector agrees with the view stated by some organizations, especially ILO and UNIDO in their comments on the draft of this report, that the main purpose of their publications is not income generation but the dissemination of substantive information and research results, the fact of the matter is that selling publications to generate income is mandated by the competent governing bodies of all the organizations. The Inspector has no knowledge of an income ceiling established by any governing body for sales publications, except for the requirement for price discounts in the developing countries. But even at current price discounts, significantly more publications income can still be generated in the developing countries than at present, through improved marketing strategies and techniques and expanded geographical coverage of sales networks. Accordingly, as emphasized in previous chapters, maximizing revenue from the activities reviewed in this report, including publications, is not only a quantitative indicator of their efficient management but is also supportive of their primary statutory purposes, as indisputably demonstrated by UNICEF and WIPO for example.

99. In the case of the United Nations, the General Assembly for example has long been concerned about the low profitability of the Organization's publications sales, as already noted in the preceding chapter. These concerns were echoed in a 1997 JIU report entitled "United Nations publications: enhancing cost-effectiveness in implementing legislative mandates" (JIU/REP/97/2), which pinpointed some weaknesses in the Organization's publishing chain, including oversight of the publishing process, planning system, dispersed responsibilities for production, absence of a system for tracing costs and accounting for such costs, and lack of incentives to author departments to improve performance.

100. What can be deduced from the revenue produced by United Nations publications is that the Secretary-General's publications policy, especially regarding pricing policy and the need to sell publications at however modest a price, is actually not being implemented by those concerned in the Secretariat. The above-mentioned JIU report found for example that about 80 per cent of the Organization's publications are distributed freely, thereby masking the possibility of assessing their relevance and penetration on the basis of sales figures.

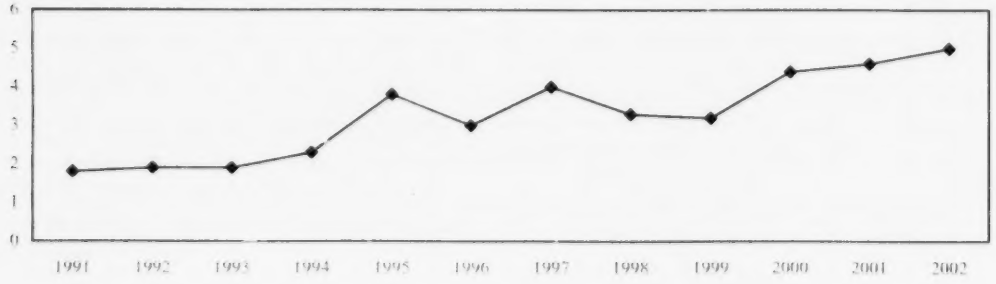
101. A similar situation prevails in the United Nations funds and programmes. Although these organizations are not included in figure III, some of them (e.g. UNDP and UNICEF) also produce a substantial volume of publications, but mostly for free distribution, with hardly any possibility of market feedback or of knowing whether freely-distributed publications show up in commercial distribution channels or not.

Figure III: Publications revenue as percentage of regular budgets 1998-1999



ORGANIZATION	*Regular budget 1998-1999 (in SUS thousands of dollars (gross))*	*Percentage of publications revenue*
IMO	58 946	21.4
ITU	285 452	6.5
ICAO	107 174	5.4
WIPO	256 139	2.5
UNESCO	544 367	1.0
WHO	842 654	1.0
ILO	481 050	0.8
UPU	56 343	0.8
WMO	85 685	0.7
UN	2 488 302	0.6
FAO	650 000	0.3
IAEA	448 615	0.3
UNIDO	151 053	0.08

Figure IV: IMO publications: ten-year performance record of net sales 1991-2002 (in UK pound sterling millions (2001-2002 estimated))



Source: IMO work programme and budget for 2002-2003 (C 86/10), 17 April 2001.

Table 5: IMO publishing performance

PRINTING AND PUBLICATION ACTIVITY ESTIMATED REVENUE AND EXPENDITURE FROM 2000 TO 2003				
REVENUE	**(in UK pound sterling)**			
	ACTUAL	**ESTIMATED**		
(Minus expenditures / transfers to other funds)	**Yr. 2000**	**Yr. 2001**	**Yr. 2002**	**Yr. 2003**
	4 440 729	**4 732 000**	**5 050 000**	**4 821 000**
Promotion of sales	91 698	91 900	94 700	97 500
Personnel	849 773	855 800	916 700	928 100
GOODS AND SERVICES				
Office reproduction supplies	258 372	250 000	270 000	300 000
Equipment	182 259	90 000	190 000	140 000
Communications	101 407	125 000	130 000	135 000
Other supplies and services	109 584	110 700	114 000	117 400
Contracting out (external printing)	408 333	290 000	300 000	340 000
Electronic/online publications	50 583	95 400	98 300	101 200
Total expenditure	2 052 009	1 908 800	2 113 700	2 159 200
Net trading income	**2 388 720**	**2 823 200**	**2 936 300**	**2 661 800**
RESERVES AND FUND BALANCES				
Interest and miscellaneous income	283 290	200 000	200 000	200 000
Net income	2 672 010	3 023 200	3 136 300	2 861 800
Accumulated surplus bought forward	4 660 244	5 632 254	6 955 454	8 144 354
TOTAL SURPLUS	7 332 254	8 655 454	10 091 754	11 006 154
TRANSFERS				
Regular budget costs (rent, rates and utilities	-	-	247 400	251 600
Regular budget	200 000	200 000	200 000	200 000
Technical Cooperation Fund	1 500 000	1 500 000	1 500 000	1 500 000
Total transfers	1 700 000	1 700 000	1 947 400	1 951 600
RESERVES and FUND BALANCES (NET)	**5 632 254**	**6 955 454**	**8 144 354**	**9 054 554**

Source: IMO Work programme and budget for the 22nd financial period 2002-2003 dated 7 April 2001, (C 86/10), p. 215.

102. The IMO programme budget documents and other materials provided to JIU for this report suggest the following:

(a) Publications are highly valued as a tool for promoting the Organization's constitutional objectives. As noted in its work programme and budget document for 2002-2003,

> IMO's publications contribute in a substantial way to the promotion of the technical and legal work of the Secretariat by providing the basic tools for the effective implementation of the technical requirements of the Organization;

(*b*) Increasing publication sales is considered to be supportive of the above-mentioned objective and a further step towards wider and more effective implementation of IMO standards;

(*c*) Production costs have been trimmed through investments in capacity and modernization (thanks to adequate budgetary allocations), which have greatly increased productivity;

(*d*) Emphasis has been placed on establishing cost-effective internal printing operations to enable IMO to improve its competitiveness with external markets. The cost benefits of internal printing operations are also confirmed in a report by the United Nations Secretary-General on internal and external printing practices of the Organization;[19]

(*e*) The publications programme is supported by an effective sales promotion strategy sensitive to the special requirements of its private-sector customers;

(*f*) More significantly, the publishing performance of ICAO, IMO, ITU and WIPO

[19] A/55/132, 15 September 2000.

attests in a way to their intellectual productivity and, by extension, effectiveness in promoting their legislative mandates, even though some organizations have argued, in their comments on the draft of this report, that publishing performance is not the only yardstick for measuring such effectiveness. The point is also made that it becomes difficult to maximize revenue when publications sold in hard copy or book format are equally accessible freely in electronic format and can be downloaded from the organizations' web sites.

103. Nevertheless, the foregoing analysis would justify a radical rethinking, in the larger organizations in particular, of their publishing activities with a view to replicating as far as possible best practices in publishing within and outside the United Nations system, and not necessarily only the peak performance described above:

(*a*) The executive heads should give increased attention and visibility, expressed in adequate budget and staff allocations, to publications programmes not only because of their importance in attaining the organizations' constitutional objectives but also because, as demonstrated in the foregoing paragraphs, publications constitute an important opportunity for income generation;

(*b*) Significant internal rationalization of publishing activities should be undertaken as may be optimal in the specia circumstances of each organization, including the option of limiting free electronic access and download of publications distributed through commercial channels;

(*c*) Existing policies and practices regarding external printing and co-publication should be reviewed and perhaps audited periodically, especially in cases where they afford the organizations limited or no control over publishing costs and royalties;

(*d*) Organizations located at the same duty station should, where not already the case, aim to establish common printing services. The pooling of printing capacities should not necessarily imply physical consolidation of all the print shops of individual organizations co-located in the same city. A common printing service should ideally ensure combined and optimal allocation of limited resources to plant and new technologies capable of processing high-quality or special publications generally outsourced by some organizations to commercial printers; establish priorities acceptable to all participants; and work to reduce overall costs of publishing tasks;

(*e*) Furthermore, the possibility should be considered of holding, on a more regular basis and at different duty stations, existing informal inter-agency meetings of the heads of publication programmes of the system in the context of the annual Frankfurt Book Fair, and focusing the agendas of these meetings on the sharing of best practices in publishing and marketing activities. The meetings of IAMLADP (Inter-Agency Meeting on Language Arrangements, Documentation and Publications) may not fully and specifically serve the purpose at hand;

(*f*) The organizations should also consider developing strategies for pooling their publications sales forces at global and field levels (**recommendation 7**).

Public information products

104. Existing general policy in the organizations is the widest possible free dissemination of their public information materials. The Inspector considers this policy to be the right one consistent with the statutory public communication objectives of the organizations. At the same time, however, the public information product line includes, on the one hand, literature and related items of a general nature usually mass distributed freely, and on the other, some radio, television, and print items (e.g. audio-visual productions, CD-ROMs, feature articles and reports), which have a sales value just like publications, and are marketed as such by some organizations. For example, the United Nations collects US$ 1 million on average each biennium from the sale of such products.

105. Although an aggregate revenue figure for the entire United Nations system is not available, the probability is that the organizations can generate much more income than at present from some of their public information activities mentioned above, at least to the point where some of them could place public information services on a self-financing keel. For example, ILO reports that, in the last biennium, its Bureau of Publications began to identify videos that could be marketed and sold, recognizing that "videos represent a product line whose production, marketing and sale could be reinforced". The justification for increased efforts in this direction may be summarized as follows:

- Although the activities in question are amongst those specifically designed to uplift the public visibility of the organizations and promote global popular awareness of their goals and programmes, in most cases the organizations' public information budgets are tight, static or shrinking as a result of long-frozen regular budgets which mostly support public information activities;

- Encouraging more income generation from the select category of public information products targeted mainly to international media outlets would be consistent with existing but scantly implemented policies within the United Nations system;

- The level of proceeds from the products in question would be one (but not the only) measurable indicator of their quality, relevance and effectiveness in attaining the organizations' objectives, just as for publications;

- The ploughing back into the activities concerned of revenue they produce would help finance their further development and expansion, and also lift their quality, media appeal, and financial value, leading to increased revenue.

106. Some organizations, especially FAO, argue that repacking public information materials to make them competitive with other commercial products in a highly competitive environment would require financial and human resource investments, in terms of production and marketing, that would be difficult to recover. The Inspector believes, however, that success of the proposed strategy would hinge not so much on the amount of start-up capital that could be mobilized from public and private sources (see recommendation 6) as on the distinctive quality and originality of the products aimed at commercial news organizations– which usually compete with one another to buy unique "quality products". In this context, public information staff might need a degree of freedom and motivation to exercise creative genius in order to deliver quality products (**recommendation 8**).

Electronic databases and products

107. All the organizations have developed electronic databases in one form or another, including management information systems, and knowledge management systems, an example of the latter being the United Nations Official Documents System (ODS). In practically all cases, these systems have been built in response to the organizations' professional needs. Much of the information stored in the databases can be considered unique in view of the distinctive nature of the mandate and work of each organization. That in turn defines the potential market value of these databases to the general public or specialized user groups. At present, the United Nations and ICAO provide probably the best examples of how revenue can be produced from electronic databases via paid subscriptions.

108. The United Nations currently maintains as many as five databases to which public access is subject to paid subscriptions, as shown in table 4 above. ICAO reports in its comments on the draft of this report that the marketing of its electronic databases is increasingly expected to become an important source of income. FAO reports that its "FAOSTAT" may be consulted free of charge for a limited number of records, while unlimited access is subject to paid subscription. The Inspector believes this approach offers a judicious compromise in some organizations between free versus paid public access to their databases. As further pointed out by FAO, appropriate attention would need to be given to intellectual property and copyright issues in this area, as further discussed later under R & D in science and technology.

109. A unit within UNDP, the Global Consulting Service (GCS), is responsible for building and updating a database on labour market information in the developing countries, which information is used to adjust General Service salary scales and other conditions of service at field duty stations. This Unit informed the Inspector that its database is increasingly used on a fee-paying basis by Governments, including the United States State Department, as well as by major multinational corporations in need of labour market data in the developing countries. GCS services include provision of data and systems as well as consulting and training services to its clients. According to GCS, its income has grown in the past decade from US$ 6,000 in 1992 to US$ 600,000 in 2000. UNDP informed the Inspector that since the first quarter of 2002 it has established a Management Board to provide oversight and support for GCS in the context of a new "service relationship" between UNDP and GCS affording the latter the necessary managerial scope to implement its business plans.

110. Besides databases, most of the organizations have also developed software programmes for

various purposes in their respective sectors. One example, previously mentioned, is the UNIDO COMFAR, which is widely used globally for investment project preparation and appraisal. In the 1998-1999 biennium, this software package procured US$ 620,000 for UNIDO, the proceeds being used for further software development and marketing. COMFAR also has a related training activity, subject to fees as well, as a product-support service to members of the business community with COMFAR licensing rights. UNIDO ingeniously applies the market positioning technique of periodically adding new versions (very much like Microsoft's Windows operating system) to maintain its market position and relevance to the evolving needs of its differentiated clientele.

111. One major advantage of COMFAR is that it promotes a single global standard for formulating, appraising and evaluating industrial development projects of any size, whether in the public or private domain. This activity lies at the heart of the UNIDO mandate. Its self-financing modality has enabled the programme to extend its global reach and value even as UNIDO was undergoing a serious financial crisis in the past decade. Therefore, had COMFAR depended on the UNIDO regular budget, it probably would have ceased to exist by now.

112. Some other organizations have developed similar packages, such as the FAO microbanking system, that seeks to reduce the cost and improve the management of small credit and saving societies. Another similar programme is the United Nations Conference on Trade and Development's (UNCTAD) automated system for customs data, which promotes a worldwide standard for the automation and modernization of customs procedures and production of statistical data on foreign trade. With few exceptions, a common weakness shared by these databases and software packages is their limited marketing generally and promotion in particular (**recommendation 9**).

Procurement for third parties

113. One of the policy objectives proposed in chapter I for revenue-producing activities would be to strengthen the organizations' comparative advantage and competitive edge in their respective specialized fields. The special advantages enjoyed by the organizations over private-sector procurement agencies lie essentially in their neutrality, objectivity, business integrity and social responsibility, including their ethical consciousness in particular. Within tripartite relationships involving Governments of the member States, private-sector entities, and United Nations system organizations, the latter group is usually and generally trusted to serve as a disinterested and honest broker that can be relied upon to deliver on contracts, if not always on time.

114. Most of the procurement services of the organizations are specialized operations within the global business community, such as WHO procurement of medical and health-related equipment and products, UNICEF drugs and vaccines, UNFPA reproductive health items, ICAO air transport equipment, UPU postal items, etc. When combined with some of the organizations' unique advantages mentioned above, this specialized procurement function makes each organization concerned a real or potential "market leader" in its sector of competence.

115. Specialization may be lateral (e.g. agencies' sectoral procurement services) or vertical (e.g. the Inter-Agency Procurement Services Office's (IAPSO) upscale market research and data compilation activities). In either case, market leadership cannot be taken for granted. It should be nurtured and consolidated through a set of sustained measures aimed at making the procurement function for third parties a cost-effective fee-for-service activity, including:

(*a*) Development of cost-competitive operations and methods, such as proven Internet-based methods;

(*b*) Training and retraining of procurement staff to ensure state-of-the art procurement expertise consistent with evolving requirements within the international procurement environment;

(*c*) Adequate travel funds to facilitate identification of new procurement sources and opportunities, especially in the developing countries and countries with economies in transition;

(*d*) Promotional activities directed at potential customer groups, especially governmental recipients and donors of development aid, and multilateral financial institutions, including the regional development banks;

(*e*) In order to finance the likely additional costs of the above endeavours, the organizations might

wish to consider, on a voluntary and/or experimental basis, the option of charging bidding or registration fees to companies submitting proposals to tender for procurement or outsourcing contracts with the organizations **(recommendation 10)**.

Research and development in science and technology

116. Few United Nations system organizations directly carry out by themselves R & D activities in science and technology. The general policy within the system is to finance or subcontract R & D activities to other organizations, usually outside the United Nations system, including private research laboratories especially. Examples include the financial support extended by the World Bank, FAO and UNDP (until recently) to international agricultural research institutes (Consultative Group on International Agricultural Research (CGIAR)) in the developing regions, or various WHO research programmes.

117. Generally, the organizations have adopted a rather passive attitude to what happens to the inventions, innovations, and patents, including their diffusion impacts and financial benefits, arising from such collaboration with other entities in matters of R & D in science and technology. Yet, a more proactive business approach by the organizations, especially the more scientifically-oriented ones, to R & D issues would hold some benefits that would further their constitutional mandates, especially the social and economic development of a majority of their member States.

118. At present, R & D and resultant patents in science and technology are highly concentrated, and ever increasingly so, in a small circle of private multinational corporations pursuing primarily commercial and financial profit goals. For example, the issue of affordability of drugs in the developing countries is one adverse effect of this reality. Another is the ongoing ethical debate on the unpredictable environmental and health consequences of genetically modified crops and other organisms. Difficulties experienced by the developing countries in accessing technologies on the global market is yet another outcome.

119. Accordingly, the organizations would be justified to move with resolution and vision into the high stakes zone of science and technology R & D activities. They should not be browbeaten by the global might and vast resources of private-sector corporations. In addition, United Nations system organizations have no less significant strength in their global normative and standard-setting authority, and their member States, to enforce international norms and standards.

120. However, the goal is not to compete as such with the private sector in R & D endeavours but to collaborate with them more meaningfully in orienting such activities towards the social and economic development agendas pursued by the organizations, ensuring in the process a degree of price control and more equitable diffusion of technologies. Moreover, the organizations need to monitor R & D initiatives that might lead to scientific and technological breakthroughs with potential effects on their programmes and sectors of competence. Last but not least is the revenue stream likely to accrue to the organizations from the patenting of their innovations or from the co-sharing of patent rights resulting from their collaboration with other entities. In this respect, the WHO policy on patents, quoted in chapter I on policy framework, should serve as a model for developing a uniform and proactive system-wide policy on patents, including in particular the systematic use of patent rights for income generation to strengthen R & D programmes which could be centralized for this purpose in some organizations (**recommendation 11**).

Substantive training and public lectures

121. Substantive training activities and public lectures represent an opportunity for the organizations to engage in policy and technical dialogue with members of their respective constituencies along the lines outlined in a previous JIU report on private sector involvement and cooperation with the United Nations system (JIU/REP/99/6). Except for statutory technical meetings of the organizations or their assignment of training experts to educational institutions, substantive training generally includes seminars, round tables, workshops, study tours or visits, fellowship placement, and even public lectures covering the organizations' substantive work.

122. For these activities, as suggested by FAO for example, a pay-per-visit or pay-per-lecture policy could be considered for participants other than from the member Governments. In addition, FAO sees a potential for the organizations to offer specific fee-paying courses over the Internet, possibly in partnership with credit-granting

educational institutions such as universities or colleges. Some of the merits of such training and public-lecture initiatives include, for example, promoting the objectives of the United Nations Global Compact and international partnerships; heightening awareness of the organizations' substantive work within civil society more generally and thereby securing popular support for same; and eliciting valuable feedback from private-sector stakeholders on concrete real-life situations and new perspectives in their fields of competence.

123. Stretching the substantive training function and public lectures in this way might not be without some glitches. For example, few organizations have autonomous training budgets independent of their technical cooperation projects. Fewer still, with the prominent exception of the World Bank, have formal policies or programmes of public lectures. Furthermore, extending training activities to non-State actors might call for more business-oriented approaches to the management of training programmes and public lectures, including such basic issues as targeted advertising of the activities (as opposed to simple invitations to the member States to nominate participants as at present), or setting appropriate fee schedules for non-State participants. Additionally, the special needs and circumstances of constituencies in the developing countries and countries with economies in transition would need to be taken into account, particularly by spreading out training locations and differentiating admission fee rates (**recommendation 12**).

Gift items

124. Most of the organizations sell gift items specific to them at their headquarters premises. However, only the United Nations has a gift centre really worthy of note. Under this heading, the Inspector would simply propose that the organizations consider devising a joint strategy for the production, promotion and selling of their gift items, as they do for their publications. By so doing, the organizations would reduce the unit production cost of their respective items while increasing sales revenue through the joint promotion and cross-selling of each other's items on a voluntary basis.

C. MARKETING

125. Marketing and sales constitute the business function that happens to be the most cunning, and one particularly incompatible with the organizations' ethos and outlook. This observation may explain why the income-generating potential of the activities under review is very unevenly tapped at present within the United Nations system as a whole, and also from one line of activity to another. This finding is not surprising since, as stressed earlier in this report, none of the activities in question was established primarily to generate income, the organizations being required by their respective legal and policy instruments to be funded for the most part by their memberships. Predictably, therefore, the application to these activities of business marketing strategies and techniques is currently far from uniform across the organizations and product lines.

126. For example, sales publications in particular are systematically copyrighted, marketed and sold by every organization, but with few exceptions the same practice does not extend to scientific and technological inventions and innovations arising from activities supported by the organizations. UNIDO establishes a business performance benchmark in the marketing of its electronic products (especially COMFAR), but delivers a very poor performance in sales publications, where IMO excels. Likewise, the United Nations outperforms other organizations in the marketing of its databases online, but has not been successful in other product lines. Similarly, UNICEF collects significant revenue from its greeting card operation, but little from its publications programme.

127. With the exception of WIPO, which reports extensive promotional efforts undertaken for its fee-for-service activities, the marketing function is by and large the weakest link in the chain of the organizations' revenue-producing activities. This conclusion should not be construed as criticism of the organizations, since they were not established or staffed as business concerns with annual balance sheets to gauge their marketing and financial performance. Nevertheless, that valid point having been made, the above conclusion needs to be borne in mind and perhaps fully addressed in order to secure more results-based management and financial viability of these activities. Accordingly, some marketing guidelines are offered in the

paragraphs that follow simply as the starting line of desirable strengthening measures.

Market research

128. At a minimum, market research requires the collection and analysis of data and related information about how buyers (consumers) actually respond or might respond to a given product in existence or in the pipeline; measuring market potential and identifying its characteristics, competition, and trends; searching for the ideal market segments for products; analysing prices and sales and forecasting them on the basis of historical data and evolving economic and market conditions, etc. Practically all the product lines reviewed in the preceding section require some market research of one form or another so that the organizations may remain vigilantly attentive to market developments relating in particular to changing competition and prices.

129. However, publications and greeting cards (UNICEF) probably require more periodic market studies than other activities because, with some exceptions, they generally lack the type of privileged market niche and customer loyalty enjoyed, for example, by the organizations' procurement services or by the WIPO fee-for-service activities. Market research information enables the adaptation of product quality, design and packaging as well as sales strategies in response to changing market conditions.

130. As noted in the 1997 JIU report on United Nations publications, mentioned earlier, some organizations do make efforts to seek readers' feedback on their publications. Much too often, however, the method used is limited to brief questionnaires which generally draw low response rates. In-depth market surveys and analysis focusing on geographic, demographic and psychographic factors would seem more useful in seeking out market segments in which to concentrate marketing and sales efforts. For publications, it would be interesting to know, for example, especially in the developing countries, how different price ranges and different product presentations, especially format, typeface, and even colour, might affect distribution and sales figures.

131. The UNICEF greeting card operation in several respects is a successful business venture generating cumulative sales of over US$ 1 billion to date. Yet it offers a useful case study of missed opportunities due to inadequate periodic research coverage of the global greeting card business. Until several years ago, this activity accounted for about 70 per cent of the UNICEF resources and the rest came from fund-raising. Today, that ratio has been more than reversed, with greeting cards and related products procuring only about 20 per cent of UNICEF income.

132. This drastic reversal was the result of two factors:

(*a*) stiff competition from the Fund's own constituency of non-governmental organizations (NGOs), which had become increasingly adept at copying and marketing its card designs; and

(*b*) the emergence of free electronic greeting cards over the Internet.

Short of market intelligence, which could only have come from systematic tracking and forecasting of market trends, UNICEF could not anticipate and therefore did not adapt rapidly to critical developments within its business environment. For example, it could have rolled out additional product lines, such as children's toys, or created its own Internet-based greeting cards promoting its favourite advocacy themes on behalf of children, and perhaps even selling advertising space in the process. On the other hand, the fifty-year-old UNICEF greeting card business has contributed significantly to promoting its international public image and brand name which its comparable sister organizations may not enjoy.

Pricing

133. Pricing is the only element in the production and marketing spectrum that produces revenue. All other factors represent costs. However, prices and costs are deeply interrelated since costs must be known and used for pricing purposes. Information gathered for this report suggests that the prevailing policy in most of the organizations for activities under review, especially publications, is to recover costs to the extent possible. As observed earlier, however, the actual cost of producing, marketing and selling publications is tracked and known only in a few organizations. The question, therefore, is how are prices derived?

134. Without a cost-accounting system not only for publications but for other products as well, it would be difficult to tell whether prices actually

cover costs or not, and therefore whether or not it is a revenue-producing activity as defined in this report. Yet, the publishing performance of ICAO, IMO, ITU and WIPO as noted earlier, makes it beyond doubt that the organizations' publications programmes can be managed efficiently and effectively as profit centres yielding substantial surplus income, thanks particularly to systematic cost-reduction efforts which impact positively on pricing, penetration and sales value.

135. Furthermore, all the organizations use **social pricing** methods geared to the different income situations of their customer base. Accordingly, discounts on catalogue prices are offered in the developing countries, and especially in the least developed ones. It would be useful to know, again through market research exercises, whether such discounts do positively affect distribution and readership figures, if not sales income, in the developing countries, or whether the increased licensing of rights for the production of more locally-flavoured and less-costly editions might not be a more worthwhile alternative to discount policies. It is observed moreover that organizations' discount rates oscillate from one to another, ranging for example from 15 per cent in ITU to 30 per cent on average in WHO.

136. The pricing of services also varies in terms of fee rates and computation methodology, and similarly for subscriptions to databases. In procurement for example, a flat fee rate is applied by most organizations, but the rate fluctuates from 3 per cent in WHO to 5 per cent in UNFPA, and to 6 per cent in UNICEF. ICAO applies a sliding fee schedule that goes down as purchase value goes up and vice versa, the ceiling being 6 per cent, with special discounts for the least developed countries.

137. In some cases, the nature of work involved for each procurement line might explain the different pricing policies and practices among the organizations. But structural and process costs internal to the different procurement departments could also account for those differences. Since procurement responsibilities have been shared out among the organizations either formally or informally along their specialized product lines, the different fee rates they charge do not seem to affect their respective niche markets. Nevertheless, these pricing differences need to be monitored and fully justified in the light of prevailing practices by potential competitors on the procurement market.

138. A common pricing method in the business community is **cost-plus pricing** or **mark-up pricing**, whereby a standard or flat mark-up is added to the cost of a product. While the organizations typically apply this flat rate method, especially in procurement services to third parties, some prefer to use the innocuous terminology of cost recovery and not cost-pricing. Whatever terminology is used, however, the central issue is the definition of the cost to be recovered or to be factored into a price.

139. UNOPS, for example, calculates costs on a project by project basis, focusing on the actual costs of inputs and tasks, which requires the existence of an activity-based costing system, rather than on the costs of staff–a common practice in most organizations. The WIPO fee schedules are based on its broad definition of costs to be recovered in respect of its fee-for-service activities. The costs are traced to virtually all technical, promotional and administrative support services of its secretariat. Processing costs have been reduced thanks to extensive streamlining of procedures to make them more efficient. This effort extends to the development of major information technology systems for the processing of international patent, trademark and industrial design applications.

140. These combined efficiency measures have enabled WIPO to reduce the level of fees under the PCT and Hague Agreement systems on a number of occasions. For the PCT system, these fee reductions have occurred as the customer base expands. Since the international business community appreciates the many advantages offered by the PCT system, its ongoing modernization, the quality and efficiency of its services and the continuing process of fee reductions, the use of PCT system has been growing rapidly year after year, Thus, with ever-increasing numbers of international patent applications, there have been increases in overall fee revenue, which in turn has made fee reductions possible.

141. Within the United Nations Secretariat, establishing the right prices of products and services is somewhat problematic in the absence, as earlier noted, of cost-accounting methodologies or work measurement systems. This shortcoming needs to be addressed in the first place for the efficient management of the Organization's revenue-producing activities. This observation

applies in particular to publications, databases, language training and postal administration. In the absence of objective cost data to guide pricing practices within the United Nations Secretariat, the General Assembly itself has, not infrequently, taken the lead in setting usually beneficent pricing and price-discount policies with hardly much bearing on cost considerations, examples being language training or ODS discount subscription rates.

142. Nevertheless, the United Nations' business portfolio includes some high-value products with few substitutes in the world. They are the Treaty Collection, ODS, statistical products and daily subsistence allowance rates. Some IMIS (Integrated Management Information System) by-products could be added to this line. The unique value of these products guarantees for the Organization a privileged market situation, which should be protected against competing or substitute products by, among other things, constantly improving product or service quality and packaging in order to maximize their appeal to targeted market segments or general public depending on the activity in question. Strengthening and advertising the Organization's comparative advantages should be part of the effort.

143. Because of the high-income brackets of the potential customer base for the products in question, the United Nations could very well maintain for this group of products a value-based pricing policy which, unlike mark-up pricing, focuses more on product value and less on product cost. By such a policy, the subscription rates for the Treaty Collection for example, as shown on the United Nations sales publications web site, would be much higher for law firms than the present rate of US$ 100 per month or US$ 1,000 per year. A higher subscription fee for law firms would reasonably recognize and "publicize" the unique value of this product to its core user constituency. The same observation could apply to the Daily Subsistence Allowance Rate (DSAR) database whose users are likely to be mostly multinational companies operating in different parts of the world.

144. Furthermore, unlike some other organizations, the United Nations does not differentiate prices depending on whether the customer is an institution or individual. For example, subscriptions to the Treaty Collection are priced at the same rate for law firms as for individual lawyers. In contrast, UNIDO applies a differentiated pricing policy whereby institutional licensees of COMFAR are charged a fee schedule that increases with the size or staff strength of the institution concerned. Additionally, the price discount policies applicable to the different databases are somewhat discrepant. Discount rates for Governments and United Nations agencies apply for the Treaty Collection and DSAR, but ODS access is free for these two user categories.

Distribution and sales

145. The organizations would be best advised to cooperate more actively than at present in devising joint distribution, sales and outsourcing strategies in the marketing of activities covered in this report, especially publications. In its comments on the draft of this report, WHO takes the view that inter-agency "cooperation is quite significant" and that "many UN agencies use the same agents", while the United Nations observes that "cooperation with the specialized agencies is less beneficial, as target markets are often very different". The geographical spread of sales agents is yet another issue. In general, there are relatively few agents in the developing countries. For example, the United Nations has only three on the African continent, compared to 13 agents for the World Bank. More deliberate cooperation and coordination amongst the organizations' publication distribution and sales services could help remedy the present situation.

Promotion

146. For a customer to develop an interest in a product, he/she has to know about its existence. The task of communicating information about a product devolves to the promotion/advertising services of business organizations. Most of the product lines reviewed above need to be promoted to target market segments using a variety of strategies and tools, such as profiling relevant customer groups and building their loyalty to a product or service through advertisements; using Internet-based techniques or contracting advertising agencies where cost-effective. The not-for-profit character of the organizations can itself serve as a promotional lever for revenue-producing activities. Yet another element could be the ethical consciousness of the organizations in an increasingly ethically-minded global business environment. For example, the organizations can

develop brand loyalty by using standard labels on publications and other appropriate products that capture in a few words the mandate of each organization (e.g. "The Peace Organization" (United Nations); "Atoms for Peace" (IAEA); "Global Public Health Leader" (WHO)) **(recommendation 13)**.

D. INTER-ORGANIZATIONAL COOPERATION

147. Several foregoing recommendations have already referred to the need for inter-agency cooperation in such areas as common printing services to reduce costs of publications and joint marketing strategies and distribution channels. The United Nations could take the lead in fostering inter-agency cooperation by taking a system-wide view of its own revenue-producing activities, such as publications, gift items, postal administration, or visitors' services, and extending their geographical scope, especially at field duty stations. At the Visitors' Service in Geneva, for example, it was observed that the tour guides did not always include the work of the Geneva-based specialized agencies in explaining the activities of the organizations. Although it would be difficult in practice to conduct a visitors' tour of the premises of the specialized agencies located in Geneva, general public information materials on their activities should be made available to visitors to the Palais des Nations premises. The same should be the case at the United Nations Headquarters even though no specialized agency is located in New York.